

FINANCIAL STATEMENTS
For
HERITAGE TORONTO
For the year ended
DECEMBER 31, 2017

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of

HERITAGE TORONTO

We have audited the accompanying financial statements of Heritage Toronto, which comprise the statement of financial position as at December 31, 2017 and the statement of operations and changes in fund balance - 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 the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards for government not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

In common with many not-for-profit organizations, the organization derives revenue from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of this revenue was limited to the amounts recorded in the records of the organization and we were not able to determine whether any adjustments might be necessary to donation revenue, excess of revenue over expenses (expenses over revenue) and cash flows from operations for the years ended December 31, 2017 and 2016, current assets as at December 31, 2017 and 2016 and fund balances as at January 1 and December 31 for both the 2016 and 2017 fiscal year-ends. Our audit opinion on the financial statements for the year ended December 31, 2016 was modified accordingly because of the possible effects of this limitation in scope.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Heritage Toronto as at December 31, 2017 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards for government not-for-profit organizations.

A handwritten signature in black ink that reads "Welch LLP". The signature is stylized and cursive.

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario
June 1, 2018.

HERITAGE TORONTO
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2017

	<u>2017</u>	<u>2016</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	\$ 481,921	\$ 419,567
Investments (note 3)	121,763	102,080
Accounts receivable	76,223	25,753
Prepaid expenses	<u>4,144</u>	<u>3,611</u>
	684,051	551,011
AGENCY TRUST FUNDS (note 4)	<u>48,275</u>	<u>121,046</u>
	<u>\$ 732,326</u>	<u>\$ 672,057</u>
<u>LIABILITIES AND FUND BALANCES</u>		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 67,288	\$ 30,549
Deferred revenue	169,851	160,849
Deferred contributions (note 5)	<u>30,367</u>	<u>-</u>
	267,506	191,398
AGENCY TRUST FUNDS (note 4)	<u>48,275</u>	<u>121,046</u>
	<u>315,781</u>	<u>312,444</u>
FUND BALANCES (note 6)		
Unrestricted fund - operating	52,380	(7,369)
Internally restricted funds - Board designated	328,069	331,912
Externally restricted funds	<u>36,096</u>	<u>35,070</u>
	416,545	359,613
	<u>\$ 732,326</u>	<u>\$ 672,057</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, 2017

	<u>Administration</u>	<u>Programs</u>	<u>Total 2017</u>	<u>Total 2016</u>
Revenue				
City of Toronto grants (note 5)	\$ 298,410	\$ -	\$ 298,410	\$ 308,900
Plaque revenue	-	158,966	158,966	181,159
Sponsorships	-	245,362	245,362	168,850
Donations	-	78,960	78,960	21,277
Event revenue	-	43,587	43,587	27,995
Memberships	-	18,840	18,840	11,607
Other income	-	10,198	10,198	11,483
	<u>298,410</u>	<u>555,913</u>	<u>854,323</u>	<u>731,271</u>
Expenses				
Salaries and benefits (note 7)	317,044	225,275	542,319	507,239
Program expenses	-	178,938	178,938	142,169
Administration	67,642	-	67,642	38,686
Communication	-	13,757	13,757	11,587
	<u>384,686</u>	<u>417,970</u>	<u>802,656</u>	<u>699,681</u>
Excess of revenue over expenses (expenses over revenue)	<u>\$ (86,276)</u>	<u>\$ 137,943</u>	51,667	31,590
Fund balance, beginning of year			(7,369)	(8,959)
Transfer (to) from internally restricted funds			<u>8,082</u>	<u>(30,000)</u>
Fund balance, end of year			<u>\$ 52,380</u>	<u>\$ (7,369)</u>

(See accompanying notes)

HERITAGE TORONTO
STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES - INTERNALLY RESTRICTED FUNDS
YEAR ENDED DECEMBER 31, 2017

	Built Heritage Awareness Fund	Heritage Education Program Fund	Community Heritage Research & Grant Fund	Heritage Innovation Fund	Plaque Program Fund	Bequests Fund	2017 Total	2016 Total
Revenue								
Donations	\$ 400	\$ 6,393	\$ 1,400	\$ 440	\$ 14,848	\$ -	\$ 23,481	\$ 48,343
Expenses								
Program expenses	<u>-</u>	<u>532</u>	<u>2,000</u>	<u>-</u>	<u>16,710</u>	<u>-</u>	<u>19,242</u>	<u>3,068</u>
Excess of revenue over expenses (expenses over revenue)	400	5,861	(600)	440	(1,862)	-	4,239	45,275
Fund balances, beginning of year	21,326	50,629	12,414	9,140	120,236	118,167	331,912	256,637
Transfers (to) from unrestricted fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(8,082)</u>	<u>-</u>	<u>(8,082)</u>	<u>30,000</u>
Fund balances, end of year	<u>\$ 21,726</u>	<u>\$ 56,490</u>	<u>\$ 11,814</u>	<u>\$ 9,580</u>	<u>\$ 110,292</u>	<u>\$ 118,167</u>	<u>\$ 328,069</u>	<u>\$ 331,912</u>

(See accompanying notes)

HERITAGE TORONTO
STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES - EXTERNALLY RESTRICTED FUNDS
YEAR ENDED DECEMBER 31, 2017

	<u>Other Designated Funds</u>	<u>City Museum Activities Fund</u>	<u>Museum Site Preservation Fund</u>	<u>Museum Exhibit Development Fund</u>	<u>2017 Total</u>	<u>2016 Total</u>
Revenue						
Donations	\$ -	\$ -	\$ 1,026	\$ -	\$ 1,026	\$ -
Expenses						
Program expenses	-	-	-	-	-	-
Excess of revenue over expenses	-	-	1,026	-	1,026	-
Fund balances, beginning of year	<u>7,954</u>	<u>4,293</u>	<u>16,695</u>	<u>6,128</u>	<u>35,070</u>	<u>35,070</u>
Fund balances, end of year	<u>\$ 7,954</u>	<u>\$ 4,293</u>	<u>\$ 17,721</u>	<u>\$ 6,128</u>	<u>\$ 36,096</u>	<u>\$ 35,070</u>

(See accompanying notes)

HERITAGE TORONTO
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2017

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
Excess of revenue over expenses		
Unrestricted fund - operating	\$ 51,667	\$ 31,590
Internally restricted funds - Board designated	4,239	45,275
Externally restricted funds	<u>1,026</u>	<u>-</u>
	56,932	76,865
Changes in non-cash working capital components:		
Accounts receivables	(50,470)	10,162
Prepaid expenses	(533)	2,861
Accounts payable and accrued liabilities	36,739	(4,284)
Deferred revenue	9,002	28,203
Deferred contributions	<u>30,367</u>	<u>-</u>
	<u>82,037</u>	<u>113,807</u>
CASH FLOWS USED IN INVESTING ACTIVITIES		
Purchase of investments, net	<u>(19,683)</u>	<u>(1,016)</u>
INCREASE IN CASH	62,354	112,791
CASH, BEGINNING OF YEAR	<u>419,567</u>	<u>306,776</u>
CASH, END OF YEAR	<u>\$ 481,921</u>	<u>\$ 419,567</u>

(See accompanying notes)

HERITAGE TORONTO
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017

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).

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

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

These financial statements have been prepared in accordance with 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, 2017

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 2018 and May 2018 with fixed interest rates between 0.40% and 1.32% (2016 - 0.40% and 1.65%).

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>2017</u>	<u>2016</u>
Balance, beginning of year	\$ -	\$ -
Add: Funds received	328,777	308,900
Less: Amounts recognized as revenue	<u>(298,410)</u>	<u>(308,900)</u>
Balance, end of year	<u>\$ 30,367</u>	<u>\$ -</u>

HERITAGE TORONTO
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED DECEMBER 31, 2017

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 23, 2017.

(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.

(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 \$103,971 (2016 - \$115,570) 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, 2017

7. EMPLOYEE BENEFITS

The Organization participates in the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer plan, on behalf of its full time employees. The plan is a defined benefit plan, which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. Employer contributions to this pension plan included in salaries and benefits amounted to \$36,903 (2016 - \$36,749).

The most recent actuarial valuation of the plan as at December 31, 2017 indicates the plan is in a surplus position and the Plan's December 31, 2017 financial statements indicate a net surplus of \$605 million (a deficit of \$5.403 billion netted against unrecognized investment returns of \$6.008 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 assets and future investment earnings will be sufficient to provide for all future benefits. At this time, the Organization's contributions accounted for 0.0019% 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, 2017

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.