

The Ontario Archaeological Society

Financial Statements

December 31, 2018

November 2, 2019

Independent Auditor's Report

To the Board of Directors of
The Ontario Archaeological Society

Qualified Opinion

We have audited the accompanying financial statements of The Ontario Archaeological Society (OAS or the Organization), which comprise the statement of financial position as at December 31, 2018, and the statement of operations and changes in fund balances, and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of The Ontario Archaeological Society as at December 31, 2018 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Qualified Opinion

In common with many charitable organizations, The Ontario Archaeological Society derives revenue from fundraising and donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to amounts recorded in the records of the organization and we were not able to determine whether any adjustments might be necessary to revenues from fundraising and donations, excess of revenue over expenses, and cash flows from operations for the years ended December 31, 2018 and 2017, and current assets at December 31, 2018 and 2017 and fund balances as at December 31, 2018 and 2017 and January 1, 2017 and 2016. Our opinion on the financial statements for the year ended December 31, 2018 was modified accordingly because of the possible effect 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 other 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 opinion.

Other Matter

Comparative figures for the year-ended December 31, 2017 are unaudited. Our opinion is not modified in respect of this matter.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for 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 Responsibility 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 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. If such disclosures are inadequate, we will 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.

Other Matter

Report on Other Legal and Regulatory Requirements as required by the Ontario Corporations Act, we report that, in our opinion, the accounting principles in Canadian accounting standards for not-for-profit organizations have been applied on a basis consistent with the prior year.



CPA LLP
Licensed Public Accountants
Toronto, Ontario, Canada

The Ontario Archaeological Society

Statement of Financial Position As at December 31

	2018	2017 (unaudited)
Assets		
Current assets		
Cash	\$ 136,207	\$ 73,778
Accounts receivable	11,120	111
Prepays and advances	<u>4,059</u>	<u>3,147</u>
	151,386	77,036
Investments (Note 2)	290,957	300,527
Capital assets (Note 3)	<u>1,234</u>	<u>1,542</u>
	<u>\$ 443,577</u>	<u>\$ 379,105</u>
Liabilities & Fund Balances		
Current liabilities		
Accounts payable (Note 4)	\$ 19,116	\$ 14,434
Deferred revenue (Note 5)	<u>13,008</u>	<u>9,391</u>
	<u>32,124</u>	<u>23,825</u>
Fund balances		
Endowment fund		
OAS Publications fund	183,376	191,205
Valerie Sonstenes Student Research fund	<u>22,728</u>	<u>21,893</u>
	<u>206,104</u>	<u>213,098</u>
Restricted fund		
Restricted Programs fund	68,010	367
OAS Awards fund	<u>4,009</u>	<u>99</u>
	<u>72,019</u>	<u>466</u>
Unrestricted fund		
OAS Future fund	<u>133,330</u>	<u>141,716</u>
	<u>411,453</u>	<u>355,280</u>
	<u>\$ 443,577</u>	<u>\$ 379,105</u>

The Ontario Archaeological Society

Statement of Operations and Changes in Fund Balances Year ended December 31

	Endowment Fund	Restricted Fund	Unrestricted Fund	Total 2018	Total 2017 (unaudited)
Revenue					
Grants	\$ -	\$ 67,600	\$ 52,974	\$ 120,574	\$ 50,937
Membership fees	-	-	27,143	27,143	25,243
Symposium income	-	-	25,161	25,161	62,503
Donations	1,504	5,059	695	7,258	1,784
Subscription income	4,343	-	1,583	5,926	4,625
Sales	-	-	1,784	1,784	1,732
Investment income (Note 6)	<u>(8,031)</u>	<u>(18)</u>	<u>(5,488)</u>	<u>(13,537)</u>	<u>18,640</u>
	(2,184)	72,641	103,852	174,309	165,464
Expenses					
Salary	-	-	53,556	53,556	53,617
Symposium expenses	-	-	28,149	28,149	30,166
Production costs	-	-	7,679	7,679	7,326
Office and general	-	938	6,674	7,612	9,697
Rent	-	-	6,694	6,694	6,562
Insurance	-	-	5,327	5,327	4,748
Publication expenses	4,768	-	-	4,768	10,393
Bank charges and fees	42	150	2,028	2,220	1,580
Telecom	-	-	1,823	1,823	1,684
Amortization	<u>-</u>	<u>-</u>	<u>308</u>	<u>308</u>	<u>-</u>
	<u>4,810</u>	<u>1,088</u>	<u>112,238</u>	<u>118,136</u>	<u>125,773</u>
Excess (deficit) of revenue over expenses	(6,994)	71,553	(8,386)	56,173	39,691
Fund balances, opening	<u>213,098</u>	<u>466</u>	<u>141,716</u>	<u>355,280</u>	<u>315,589</u>
Fund balances, closing	<u>\$ 206,104</u>	<u>\$ 72,019</u>	<u>\$ 133,330</u>	<u>\$ 411,453</u>	<u>\$ 355,280</u>

The Ontario Archaeological Society

Statement of Cash Flows Year ended December 31

	2018	2017 (unaudited)
Cash flows provide by (used in) operating activities		
Excess of revenue over expenses	\$ 56,173	\$ 39,691
Items not affecting cash or operations		
Amortization	308	889
Unrealized loss on marketable securities	27,322	-
Net changes in working capital balances		
Accounts receivable	(11,009)	8,983
Prepaid expenses	(912)	1,478
Accounts payable	4,682	7,142
Deferred revenue	3,617	(9,509)
	<u>80,181</u>	<u>48,674</u>
Cash flows used in investing activities		
Investments	(17,752)	(18,641)
Purchase of capital assets	-	(781)
	<u>(17,752)</u>	<u>(19,422)</u>
Net increase in cash	62,429	29,252
Cash, beginning of year	<u>73,778</u>	<u>44,526</u>
Cash, end of year	<u>\$ 136,207</u>	<u>\$ 73,778</u>

The Ontario Archaeological Society

Notes to Financial Statements December 31, 2018

Nature of operations

The Ontario Archaeological Society was incorporated without share capital by letters patent on December 21, 1956 under The Ontario Corporations Act, 1953.

The objective of the Organization is to preserve, promote, investigate, record and publish an archaeological record of the Province of Ontario. The Organization aims to encourage advancement of archaeology in the fields of learning and culture, promote ethical practices, discourage illegal archaeological looting and destruction, publish archaeological findings and overall broaden interest in archaeology to all Ontarians and beyond.

Funding for the Organization is provided by annual membership fees which includes subscription fee for the Organization's journal, sales of branded merchandise, sale of advertising on website, annual Provincial Heritage Organization (PHO) operating grant from Ministry of Tourism, Culture and Sport, annual Summer Experience Program (SEP) grant for temporary student employment positions, and annual symposium income.

The Organization registered as a Canadian Registered Charity under Income Tax Act (Canada) and is therefore exempt from income taxes. The Organization must meet certain requirements under the Act. In the opinion of management, these requirements have been met.

1. Significant accounting policies

Basis of accounting

These financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO), accordingly, these financial statements have been prepared in accordance with Canadian general accepted accounting principles.

Fund accounting

The financial statements include the following funds:

- i) The Endowment fund is comprised of the Ontario Archaeology Publication fund and the Valerie Sonstenes Student Research fund.

The Ontario Archaeology Publication fund is dedicated to provide long term income for the publication of at least one issue per year of the Ontario Archaeology journal.

The Valerie Sonstenes Student Research fund is intended to support graduate student research that relates to and advances knowledge on Ontario's archaeological record. The interest of this fund will provide students with small grants to assist them in undertaking research for Masters, PhD or postdoctoral level projects. Funding will be directed to support costs directly related to obtaining data for research that otherwise could not be paid for.

The Ontario Archaeological Society

Notes to Financial Statements December 31, 2018

1. Significant accounting policies (*continued*)

- ii) The Restricted fund includes the Restricted Programs fund and OAS Awards fund.

The Restricted Programs fund's purpose is to deliver programs and special projects as specified by the donor, as stipulated by the funding or as determined by the Board.

The OAS Awards fund is for the periodic presentation of an award in recognition of a significant contribution to archaeology in Ontario by a member of the Organization.

- iii) The OAS Future fund's purpose is to assist in supporting the administrative expenses of the Organization in the future. Funding is included as part of the annual membership fees and donations.

Revenue recognition

The Organization follows the restricted fund method of accounting for contributions.

Grants are recognized in revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Membership fees, symposium income and subscription income are recognized in revenue in the period for which the fees or income relate.

Donations are recognized in income when received.

Sales are recognized goods or services have been delivered.

Investment income is accrued as earned. Investment income includes interest and dividend income, and realized and unrealized gains and losses.

Capital assets

Capital assets are recorded at acquisition cost. Amortization is provided as follows:

Office equipment	20%	Declining balance
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Use of estimates

The preparation of financial statements 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 income and expenditures during the reported period. Primary components of these financial statements which include estimates are: accounts receivable with respect to collections; capital assets with respect to useful life and amortization; accounts payable and accrued liabilities with respect to amount accrued. Actual results could differ from management's best estimates as additional information becomes available in the future.

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Notes to Financial Statements December 31, 2018

1. Significant accounting policies (*continued*)

Financial Instruments

The Organization initially recognizes financial instruments at fair value and subsequently measures them at each reporting date as follows:

<u>Asset/liability</u>	<u>Measurement</u>
Cash	Fair value
Investments	Fair value
Accounts receivable	Amortized cost
Accounts payable	Amortized cost

Financial assets measured at amortized cost are assessed at each reporting date for indications of impairment. If such impairment exists, the asset is written down and the resulting impairment loss is recognized in the statement of operations and changes in net assets balance for the period.

2. Investments

Investments are comprised of:

	2018	2017 (unaudited)
Canadian fixed income	\$ 121,274	\$ 121,875
Canadian equities	107,661	110,193
US equities	<u>62,022</u>	<u>68,459</u>
Investment at fair value	<u>\$ 290,957</u>	<u>\$ 300,527</u>

3. Capital assets

	Cost	Accumulated amortization	Net 2018
Office equipment	\$ <u>2,430</u>	\$ <u>1,196</u>	\$ <u>1,234</u>
	Cost	Accumulated amortization	Net 2017 (unaudited)
Office equipment	\$ <u>2,430</u>	\$ <u>888</u>	\$ <u>1,542</u>

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Notes to Financial Statements December 31, 2018

4. Accounts payable

At December 31, 2018, no amounts are owed with respect to government remittances. Accrued liabilities are unsecured and not subject to any terms or covenants.

5. Deferred revenue

Deferred revenue represents amounts received in the current period related to events of a subsequent period. These revenues are received from members in advance for annual membership, or subscription to the Organization's journals. The changes in the deferred revenue balance are as follows:

	2018	2017 (unaudited)
Balance, beginning of year	\$ 9,391	\$ 12,400
Unearned revenue	13,008	9,391
Amounts recognized as revenue	<u>(9,391)</u>	<u>(12,400)</u>
	<u>\$ 13,008</u>	<u>\$ 9,391</u>

6. Investment income

Investment income is comprised of:

	2018	2017 (unaudited)
Interest and dividends	\$ 13,785	\$ 9,704
Unrealized (losses) gains	<u>(27,322)</u>	<u>8,936</u>
	<u>\$ (13,537)</u>	<u>\$ 18,640</u>

7. Financial instruments and risk management

The Company is exposed to various risks through its financial instruments. The following analysis provides a measure of the Company's risk exposure and concentrations at the balance sheet date.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Organization is exposed to credit risk on its accounts receivable. This risk is limited to the balance on the financial statements.

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Notes to Financial Statements December 31, 2018

7. Financial instruments and risk management (*Continued*)

Liquidity risk

Liquidity risk is the risk that the Organization will encounter difficulty in meeting obligations associated with financial liabilities. The Organization manages this risk by ensuring it has sufficient cash to meet its financial liabilities.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of change in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Organization is exposed to currency risk, and interest rate risk and other price risk.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Organization's investments include non-Canadian equities, the value of which fluctuates in part due to changes in foreign exchange rates. The United States equities are denominated in currencies other than Canadian dollars and are therefore directly exposed to currency risk as the value of these investments denominated in other currencies will fluctuate due to changes in exchange rates.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Organization's investments in Canadian fixed income are exposed to interest rate risk.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Organization is exposed to other price risk due to market fluctuations on its investments in equity and fixed income securities.

It is management's opinion that the Organization is not exposed to significant risk arising from the financial instruments.