

THE KENSINGTON CONSERVANCY
Financial Statements
Year Ended December 31, 2020

THE KENSINGTON CONSERVANCY
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Year Ended December 31, 2020

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INDEPENDENT AUDITOR'S REPORT

To the Directors of The Kensington Conservancy

Qualified Opinion

I have audited the financial statements of The Kensington Conservancy (the organization), which comprise the statement of financial position as at December 31, 2020, and the statements of revenues and expenditures, changes in fund balances and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of my report, the accompanying financial statements present fairly, in all material respects, the financial position of the organization as at December 31, 2020, and the results of its operations and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

Basis for Qualified Opinion

In common with many charitable organizations, the organization derives revenue from donations, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, my verification of these revenues was limited to the amounts recorded in the records of the organization and I was not able to determine whether any adjustments might be necessary to contributions, excess of revenues over expenses, current assets and net assets. My audit opinion on the financial statements for the year ended December 31, 2019 was modified accordingly because of the possible effects of this limitation of scope.

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the organization in accordance with ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my 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 ASNPO, 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.

(continues)

Independent Auditor's Report to the Directors of The Kensington Conservancy (*continued*)

Auditor's Responsibilities for the Audit of the Financial Statements

My 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 my 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, I exercise professional judgment and maintain professional skepticism throughout the audit. I 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 my 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 I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my 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.

I 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 I identify during my audit.

Sault Ste. Marie, Ontario
June 8, 2021

Chartered Professional Accountant

*Authorized to practice public accounting by
The Chartered Professional Accountants of Ontario*

THE KENSINGTON CONSERVANCY
Statement of Financial Position
December 31, 2020

	2020	(Restated) 2019
Assets		
Current		
Cash	\$ 66,102	\$ 16,016
Term deposits (Note 3)	45,044	44,096
Accounts receivable	13,040	2,300
Harmonized sales tax recoverable	14,171	18,430
Prepaid expenses	7,001	13,312
	<u>145,358</u>	94,154
Capital assets (Note 4)	1,455,874	1,470,658
Restricted term deposits (Note 3)	309,033	315,273
	<u>\$ 1,910,265</u>	<u>\$ 1,880,085</u>
Liabilities and Fund balances		
Current		
Accounts payable and accrued liabilities	\$ 18,936	\$ 20,513
Government remittances payable	3,814	10,510
Deferred revenue	1,085	-
	<u>23,835</u>	31,023
Deferred capital contributions (Note 5)	21,132	23,051
Long term debt (Note 7)	30,000	-
Deferred government assistance (Note 7)	10,000	-
	<u>84,967</u>	54,074
Fund Balances		
Operations Fund	35,298	16,735
Operations Reserve Fund	46,225	44,096
Restricted Investment in Capital Assets	1,434,742	1,449,907
Restricted Stewardship Fund	309,033	315,273
	<u>1,825,298</u>	1,826,011
	<u>\$ 1,910,265</u>	<u>\$ 1,880,085</u>

Additional disclosure

ON BEHALF OF THE BOARD

_____ Director

_____ Director

The accompanying notes are an integral part of these financial statements.

THE KENSINGTON CONSERVANCY
Statement of Revenues and Expenditures
Year Ended December 31, 2020

	2020	2019
Revenues		
The Kensington Conservancy - U.S.	\$ 98,252	\$ 264,914
Wage subsidies	50,442	-
Donations	11,201	17,487
Grants	10,000	11,134
Interest on restricted investment	7,432	7,812
Membership	3,190	4,455
Miscellaneous	2,435	5,168
Interest on operating investments	949	931
TKCopoly	40	480
Summer Day Camp	-	2,600
Green Expo	-	2,816
Amortization of deferred capital contributions	1,918	449
	<u>185,859</u>	<u>318,246</u>
Expenditures		
Advertising	78	295
Amortization	14,784	15,380
Bank charges	537	359
Conferences	819	5,467
Directory	2,304	1,377
Great Lakes Guardian expenses	2,653	-
Green Expo	(461)	1,987
Insurance	4,633	4,233
Memberships	1,967	2,220
Newsletter	983	896
Office and general	3,759	4,561
Professional fees	12,529	13,845
Projects and resources	3,304	9,961
Property taxes	-	2,358
Rent	1,973	2,236
Repairs and maintenance	1,141	3,184
Stewardships	2,526	2,113
Strategic Planning Meeting	-	23,927
TKCopoly expenses	-	75
Telephone	5,956	6,253
Wages and benefits	123,001	146,386
Website	4,086	3,339
	<u>186,572</u>	<u>250,452</u>
Excess (deficiency) of revenues over expenditures	\$ (713)	\$ 67,794

The accompanying notes are an integral part of these financial statements.

THE KENSINGTON CONSERVANCY
Statement of Changes in Fund Balances
Year Ended December 31, 2020

	Operations Fund	Operations Reserve Fund	Restricted Investment in Capital Assets	Restricted Stewardship Fund	2020	2019
Fund balances - beginning of year						
As previously reported	\$ 21,886	\$ 44,096	\$ 1,444,756	\$ 315,273	\$ 1,826,011	\$ 1,758,217
Prior period adjustment (Note 9)	(5,151)	-	5,151	-	-	-
As restated	16,735	44,096	1,449,907	315,273	1,826,011	1,758,217
Deficiency of revenues over expenditures	2,590	2,129	(12,865)	7,433	(713)	67,794
Interfund transfer	15,973	-	(2,300)	(13,673)	-	-
Fund balances - end of year	\$ 35,298	\$ 46,225	\$ 1,434,742	\$ 309,033	\$ 1,825,298	\$ 1,826,011

The accompanying notes are an integral part of these financial statements.

THE KENSINGTON CONSERVANCY
Statement of Cash Flows
Year Ended December 31, 2020

	2020	2019
Operating activities		
Excess (deficiency) of revenues over expenditures	\$ (713)	\$ 67,794
Item not affecting cash:		
Amortization of property, plant and equipment	14,784	15,380
	<u>14,071</u>	<u>83,174</u>
Changes in non-cash working capital:		
Accounts receivable	(10,740)	(2,205)
Accounts payable and accrued liabilities	(1,577)	19,672
Deferred revenue	1,085	-
Prepaid expenses	6,311	5,578
Harmonized sales tax payable	4,259	(11,557)
Government remittances payable	(6,696)	368
Deferred capital contributions	(1,919)	23,051
	<u>(9,277)</u>	<u>34,907</u>
Cash flow from operating activities	<u>4,794</u>	<u>118,081</u>
Investing activities		
Purchase of tangible capital assets	(5,151)	(156,030)
Term deposits	(948)	4,337
Restricted term deposits	6,240	(13,081)
	<u>141</u>	<u>(164,774)</u>
Cash flow from (used by) investing activities	<u>141</u>	<u>(164,774)</u>
Financing activities		
Deferred government assistance	10,000	-
Proceeds from long term financing	30,000	-
	<u>40,000</u>	<u>-</u>
Cash flow from financing activities	<u>40,000</u>	<u>-</u>
Increase (decrease) in cash flow	44,935	(46,693)
Cash - beginning of year	<u>16,016</u>	<u>67,860</u>
Cash - end of year	\$ 60,951	\$ 21,167

The accompanying notes are an integral part of these financial statements.

THE KENSINGTON CONSERVANCY

Notes to Financial Statements

Year Ended December 31, 2020

1. Purpose of the organization

The Kensington Conservancy (the "organization") is a not-for-profit organization of Ontario. As a registered charity the organization is exempt from the payment of income tax under Section 149(1) of the Income Tax Act.

The Kensington Conservancy is a land trust that works to protect lands and waters by purchasing property, accepting donations of land, and through voluntary conservation agreements. These protection methods are all aimed at protecting our precious landscape in perpetuity.

2. Summary of significant accounting policies

(a) Basis of presentation

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNFPO).

(b) Fund accounting

The Kensington Conservancy follows the deferral method of accounting for contributions.

Revenues and expenses related to program delivery and administrative activities are reported in the Operations Fund.

The Operations Reserve Fund contains funds to provide one year's operating budget.

The Investment in Capital Assets Fund reports the assets, liabilities, revenues, and expenses related to The Kensington Conservancy's capital assets and building improvements campaign.

The Stewardship Fund contains funds set aside for stewardship and income and expenses related to the investments contained within it.

(c) Revenue recognition

The Kensington Conservancy follows the deferral method of accounting for contributions.

Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Endowment contributions are recognized as direct increases in net assets.

Interest income is recognized on a time proportion basis.

(d) Revenue recognition - non-contribution sources

The organization recognizes revenues when they are earned, specifically when all the following conditions are met:

- services are provided or products are delivered to customers
- there is clear evidence that an arrangement exists
- amounts are fixed or can be determined
- the ability to collect is reasonably assured.

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THE KENSINGTON CONSERVANCY
Notes to Financial Statements
Year Ended December 31, 2020

2. Summary of significant accounting policies (continued)

(e) Measurement uncertainty

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

(f) Cash and short term investments

Short-term debt securities purchased with maturity of three months or less to are classified as cash equivalents.

(g) Property, plant and equipment

Property, plant and equipment is stated at cost or deemed cost less accumulated amortization and is amortized over its estimated useful life on a declining balance basis at the following rates:

Land	N/A
Land improvements	8%
Building and geothermal unit	4%
Furniture	20%
Computer software	100%

Half-rates are used in the year of acquisition.

Property, plant and equipment acquired during the year but not placed into use are not amortized until they are placed into use.

(h) Contributed services

The operations of the organization depend on both the contribution of time by volunteers and donated materials from various sources. The fair value of donated materials and services cannot be reasonably determined and are therefore not reflected in these financial statements.

(i) Financial instruments policy

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

THE KENSINGTON CONSERVANCY
Notes to Financial Statements
Year Ended December 31, 2020

3. Term deposits

	<u>2020</u>	<u>2019</u>
<u>Operations Reserve fund</u>		
NCU term deposit bearing interest at 2.35% per annum which is collateral for the line of credit.	\$ 21,526	\$ 21,099
NCU term deposit bearing interest at 2.35% per annum which is collateral for the line of credit.	23,104	22,650
Accrued interest	414	347
	<u>45,044</u>	<u>44,096</u>
<u>Restricted for stewardship</u>		
General Bank GIC bearing interest at 2.69% per annum.	60,000	60,000
Home Trust Company bearing interest at 2.95% per annum.	60,000	60,000
NCU term deposit bearing interest at 2.35% per annum.	62,681	62,681
Canadian Tire Bank GIC GIC bearing interest at 2.06% per annum.	50,000	-
Icici Bank Canada GIC GIC bearing interest at 1.32% per annum.	64,543	-
NCU term deposit bearing bearing interest at 2% per annum.	-	62,424
NCU term deposit bearing interest at 2.87% per annum.	-	60,992
Accrued interest	11,809	9,176
	<u>309,033</u>	<u>315,273</u>
	<u>\$ 354,077</u>	<u>\$ 359,369</u>

THE KENSINGTON CONSERVANCY
Notes to Financial Statements
Year Ended December 31, 2020

4. Property, plant and equipment

	Cost	Accumulated amortization	2020 Net book value	2019 Net book value
Land	\$ 1,156,881	\$ -	\$ 1,156,881	\$ 1,156,881
Land improvements	24,718	4,633	20,085	21,831
Building	289,638	38,063	251,575	262,057
Geothermal Unit	22,462	1,330	21,132	22,013
Equipment	707	198	509	636
Furniture	10,475	4,912	5,563	6,954
Computer equipment	875	746	129	286
Computer software	1,614	1,614	-	-
	\$ 1,507,370	\$ 51,496	\$ 1,455,874	\$ 1,470,658

5. Deferred capital contributions

A Trillium Grant of \$23,500 was received in 2019 to fund a Geothermal unit. The contribution will be amortized at the same rate as the asset, 4% per year on a declining basis.

	2020	2019
Capital contribution for Geothermal unit	\$ 23,500	\$ 23,500
Amortization of deferred capital contributions	(2,368)	(449)
	\$ 21,132	\$ 23,051

6. Credit facility

The organization has a credit facility with Northern Credit Union, which includes an approved operating line that can be drawn upon to a maximum of \$20,000, which bears interest at 5.0% and is secured by a term deposit of \$20,000. At the statement of financial position date, the amount owing, which is due on demand, was \$0 (2019: \$0).

7. Long term debt

CEBA is a loan program of up to \$40,000 for which 25% of the loan is forgivable if the loan is repaid on or before December 31, 2022. The \$10,000 forgivable portion is listed as deferred government assistance and will be recognized as grant revenue when the organization repays the loan.

	2020	2019
Government of Canada CEBA loan is an interest free loan. The loan matures on December 31, 2022.	\$ 30,000	\$ -

THE KENSINGTON CONSERVANCY

Notes to Financial Statements

Year Ended December 31, 2020

8. Related party transactions

The organization is under common control with its sister organization, The Kensington Conservancy U.S. with the same management and Board of Directors. Amounts due from the sister organization are without interest or fixed repayment conditions. All transfers between the two organizations are done with the approval of the Board of Directors.

	<u>2020</u>	<u>2019</u>
Grants from The Kensington Conservancy - U.S.	\$ 98,252	\$ 264,914

At December 31, 2020, there were no amounts owing between the two organizations.

9. Prior period adjustment

Land was purchased in 2019 for \$103,730 CDN and the organization did not self-assess and remit HST on the land purchase at that time. This amount is \$16,994.90. This has been remitted in 2021 under the Voluntary Disclosure Program to the Canada Revenue Agency and included in the accounts payable amount for 2019. The organization is entitled to a Public Service Bodie's HST rebate for a portion of this HST. This rebate receivable of \$11,844.14 is included in HST receivable for 2019. The amount that will not be recovered is \$5,150.76 and this amount has been added to the cost of the land in 2019.

10. Financial instruments

The organization is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the organization's risk exposure and concentration as of December 31, 2020.

(a) Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The organization is exposed to credit risk through its accounts receivable. The risk is low as all receivables are from confirmed revenue sources.

(b) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The organization is exposed to this risk mainly in respect of its receipt of funds from its donors or other related sources, and accounts payable.

(c) Currency risk

Currency risk is the risk to the company's earnings that arise from fluctuations of foreign exchange rates and the degree of volatility of these rates. The organization is exposed to this risk as contributions will be made in US funds to their US sister organization and then transferred to the organization at the prevailing currency rate. The company does not use derivative instruments to reduce its exposure to foreign currency risk.

(d) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the organization manages exposure through its normal operating and financing activities. The organization is exposed to interest rate risk primarily through its floating interest rate bank indebtedness and credit facilities.
