THE KENSINGTON CONSERVANCY

Financial Statements

Year Ended December 31, 2021

THE KENSINGTON CONSERVANCY
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Year Ended December 31, 2021

INDEPENDENT AUDITOR'S REPORT

To the Directors of The Kensington Conservancy

Opinion

I have audited the financial statements of The Kensington Conservancy (the organization), which comprise the statement of financial position as at December 31, 2021, 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, the accompanying financial statements present fairly, in all material respects, the financial position of the organization as at December 31, 2021, 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 Opinion

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 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.

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677 MacDonald Avenue, Suite 200
Sault Ste. Marie, ON P6B 1J4
Phone (705) 575-1096
Fax (705) 242-5792

www.priddleluck.com

31 Nova Scotia Walk, Suite 307
Elliot Lake, ON P5A 1Y9
Phone (705) 848-6766
Fax (705) 848-9771

Independent Auditor's Report to the 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.

Priddle-Luck
Professional Corporation

Sault Ste. Marie, Ontario
June 14, 2022

Chartered Professional Accountant

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

THE KENSINGTON CONSERVANCY

Statement of Financial Position

December 31, 2021

	2021	2020
Assets		
Current		
Cash	**$ 28,754**	$ 66,102
Term deposits *(Note 3)*	**46,186**	45,044
Accounts receivable	**6,289**	13,040
Harmonized sales tax recoverable	**14,027**	14,171
Prepaid expenses	**6,757**	7,001
	102,013	145,358
Capital assets *(Note 4)*	**1,567,902**	1,455,874
Restricted term deposits *(Note 3)*	**353,143**	309,033
	$ 2,023,058	$ 1,910,265
Liabilities and Fund balances		
Current		
Accounts payable and accrued liabilities	**$ 280**	$ 18,936
Government remittances payable	**4,403**	3,814
Deferred revenue	**1,050**	1,085
	5,733	23,835
Long term debt *(Note 7)*	**40,000**	30,000
Deferred capital contributions	**20,287**	21,132
Deferred government assistance	**20,000**	10,000
	86,020	84,967
Fund Balances		
Operations Fund	**(9,906)**	36,479
Operations Reserve Fund	**46,186**	45,044
Restricted Investment in Capital Assets	**1,547,615**	1,434,742
Restricted Stewardship Fund	**353,143**	309,033
	1,937,038	1,825,298
	$ 2,023,058	$ 1,910,265

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, 2021

	2021	2020
Revenues		
Donations	**$ 20,276**	$ 11,201
Grants	**30,979**	10,000
Interest on operating investments	**1,141**	949
Interest on restricted investment	**6,383**	7,432
Membership	**5,396**	3,190
Miscellaneous	**2,715**	2,435
Summer Day Camp	**4,000**	-
TKCopoly	**30**	40
The Kensington Conservancy - U.S.	**229,578**	98,252
Wage subsidies	**47,287**	50,442
Amortization of deferred capital contributions	**845**	1,918
	348,630	185,859
Expenditures		
Advertising	**78**	78
Amortization	**13,800**	14,784
Bank charges	**465**	537
Campaign Expenses	**1,530**	-
Conferences	**334**	819
Directory	**1,224**	2,304
Great Lakes Guardian expenses	**-**	2,653
Green Expo	**443**	(461)
Insurance	**4,754**	4,633
Memberships	**1,870**	1,967
Newsletter	**-**	983
Office and general	**5,703**	3,759
Professional fees	**13,773**	12,529
Projects and resources	**11,300**	3,304
Rent	**2,101**	1,973
Repairs and maintenance	**1,805**	1,141
Stewardships	**5,209**	2,526
Telephone	**4,284**	5,956
Wages and benefits	**165,331**	123,001
Website	**2,886**	4,086
	236,890	186,572
Excess (deficiency) of revenues over expenditures	**$ 111,740**	$ (713)

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

THE KENSINGTON CONSERVANCY
Statement of Changes in Fund Balances
Year Ended December 31, 2021

	Operations Fund	Operations Reserve Fund	Restricted Investment in Capital Assets	Restricted Stewardship Fund	**2021**	2020
Fund balances - beginning of year	$ 36,479	$ 45,044	$ 1,434,742	$ 309,033	**$ 1,825,298**	$ 1,826,011
Excess of revenues over expenditures	117,170	1,142	(12,955)	6,383	**111,740**	(713)
Interfund transfers	(163,555)	-	125,828	37,727	**-**	-
Fund balances - end of year	$ (9,906)	$ 46,186	$ 1,547,615	$ 353,143	**$ 1,937,038**	$ 1,825,298

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

THE KENSINGTON CONSERVANCY

Statement of Cash Flows

Year Ended December 31, 2021

	2021	2020
Operating activities		
Excess (deficiency) of revenues over expenditures	**$ 111,740**	$ (713)
Item not affecting cash:		
Amortization of property, plant and equipment	**13,800**	14,784
	125,540	14,071
Changes in non-cash working capital:		
Accounts receivable	**6,751**	(10,740)
Accounts payable and accrued liabilities	**(18,656)**	(1,577)
Deferred revenue	**(35)**	1,085
Prepaid expenses	**244**	6,311
Harmonized sales tax payable	**144**	4,259
Government remittances payable	**589**	(6,696)
Deferred capital contributions	**(845)**	(1,919)
	(11,808)	(9,277)
Cash flow from operating activities	**113,732**	4,794
Investing activities		
Purchase of property, plant and equipment	**(125,828)**	-
Term deposits	**(1,142)**	(948)
Restricted term deposits	**(44,110)**	6,240
Cash flow from (used by) investing activities	**(171,080)**	5,292
Financing activities		
Deferred government assistance	**10,000**	10,000
Proceeds from long term financing	**10,000**	30,000
Cash flow from financing activities	**20,000**	40,000
Increase (decrease) in cash flow	**(37,348)**	50,086
Cash - beginning of year	**66,102**	16,016
Cash - end of year	**$ 28,754**	$ 66,102

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

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 Subsection 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 is designed to meet additional short term cash flow requirements caused by unbudgeted expenses or shortfalls in donation income.

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.

(continues)

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.

3. Term deposits

	2021	2020
Operations Reserve fund		
NCU term deposit bearing interest at 2.8% per annum which is collateral for the line of credit.	**$ 22,032**	$ 21,526
NCU term deposit bearing interest at 2.8% per annum which is collateral for the line of credit.	**23,647**	23,104
Accrued interest	**507**	414
	46,186	45,044
Restricted for stewardship		
General Bank GIC bearing interest at 2.69% per annum.	**-**	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**	50,000
Icici Bank Canada GIC GIC bearing interest at 1.32% per annum.	**64,543**	64,543
Versabank GIC GIC bearing interest at 1.32% per annum.	**37,728**	-
Equitable Bank bearing interest at 1.46% per annum.	**64,978**	-
Accrued interest	**13,213**	11,809
	353,143	309,033
	$ 399,329	$ 354,077

4. Property, plant and equipment

	Cost	Accumulated amortization	**2021 Net book value**	2020 Net book value
Land	$ 1,282,709	$ -	**$ 1,282,709**	$ 1,156,881
Land improvements	24,718	6,240	**18,478**	20,085
Building	289,638	48,126	**241,512**	251,575
Geothermal Unit	22,462	2,175	**20,287**	21,132
Equipment	707	300	**407**	509
Furniture	10,475	6,024	**4,451**	5,563
Computer equipment	875	817	**58**	129
Computer software	1,614	1,614	**-**	-
	$ 1,633,198	$ 65,296	**$ 1,567,902**	$ 1,455,874

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.

	2021	2020
Capital contribution for Geothermal unit	**$ 23,500**	$ 23,500
Amortization of deferred capital contributions	**(3,213)**	(2,368)
	$ 20,287	$ 21,132

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 (2020: $0).

7. Long term debt

	2021	2020
Government of Canada CEBA loan is an interest-free loan that matures on December 31, 2023.	**$ 40,000**	$ 30,000

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.

	2021	2020

(continues)

8. Related party transactions *(continued)*

	2021	2020
Grants from The Kensington Conservancy - U.S.	**$ 229,578**	$ 98,252

At December 31, 2021, there were no amounts owing between the two organizations.

9. Financial instruments

The organization is exposed to various risks through its financial instruments and has a 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, 2021.

(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.

Unless otherwise noted, it is management’s opinion that the organization is not exposed to significant other price risks arising from these financial instruments.