

**THE KENSINGTON CONSERVANCY**  
**Financial Statements**  
**Year Ended December 31, 2022**

**THE KENSINGTON CONSERVANCY**  
**Index to Financial Statements**  
**Year Ended December 31, 2022**

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## **INDEPENDENT AUDITOR'S REPORT**

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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, 2022, 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, 2022, 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.

### *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.

*(continues)*

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

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 22, 2023

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

**THE KENSINGTON CONSERVANCY**  
**Statement of Financial Position**  
**December 31, 2022**

	<b>2022</b>	<b>2021</b>
<b>Assets</b>		
Current		
Cash	\$ 79,551	\$ 28,754
Term deposits (Note 3)	47,605	46,186
Accounts receivable	-	6,289
Harmonized sales tax recoverable	7,875	14,027
Prepaid expenses	<u>13,520</u>	<u>6,757</u>
	<b>148,551</b>	<b>102,013</b>
Capital assets (Note 4)	<b>1,914,647</b>	<b>1,567,902</b>
Restricted term deposits (Note 3)	<u>423,092</u>	<u>353,143</u>
	<b>\$ 2,486,290</b>	<b>\$ 2,023,058</b>
<b>Liabilities and Fund balances</b>		
Current		
Accounts payable and accrued liabilities	\$ 1,598	\$ 280
Government remittances payable	9,147	4,403
Deferred revenue	11,559	1,050
CEBA loan (Note 7)	40,000	-
Deferred government assistance (Note 7)	<u>20,000</u>	<u>-</u>
	<b>82,304</b>	<b>5,733</b>
Deferred capital contributions (Note 5)	<b>19,476</b>	<b>20,287</b>
CEBA loan (Note 7)	-	40,000
Deferred government assistance (Note 7)	<u>-</u>	<u>20,000</u>
	<b>101,780</b>	<b>86,020</b>
Fund Balances		
Operations Fund	18,642	(9,906)
Operations Reserve Fund	47,605	46,186
Restricted Investment in Capital Assets	1,895,171	1,547,615
Restricted Stewardship Fund	<u>423,092</u>	<u>353,143</u>
	<b>2,384,510</b>	<b>1,937,038</b>
	<b>\$ 2,486,290</b>	<b>\$ 2,023,058</b>

**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, 2022**

	2022	2021
<b>Revenues</b>		
Grants	\$ 47,106	\$ 30,979
Donations	39,517	20,276
Gravel Point Fundraiser	118,723	-
The Kensington Conservancy - U.S.	492,223	229,578
Membership	8,804	5,396
Green Expo	1,916	-
Summer Day Camp	4,000	4,000
TKCopoly	60	30
Miscellaneous	4,920	2,715
Interest on operating investments	1,495	1,141
Interest on restricted investment	8,202	6,383
Wage subsidies	-	47,287
Amortization of deferred capital contributions	811	845
	<u>727,777</u>	<u>348,630</u>
<b>Expenditures</b>		
Advertising	314	78
Amortization	15,753	13,800
Bank charges	779	465
Campaign Expenses	1,720	1,530
Conferences	7,205	334
Directory	540	1,224
Grant expenses	17,697	-
Green Expo	2,283	443
Insurance	5,787	4,754
Memberships	7,244	1,870
Office and general	3,995	5,703
Professional fees	14,784	13,773
Projects and resources	9,221	11,300
Rent	1,636	2,101
Repairs and maintenance	3,400	1,805
Stewardships	16,933	5,209
Telephone	3,418	4,284
Wages and benefits	164,856	165,331
Website	2,740	2,886
	<u>280,305</u>	<u>236,890</u>
<b>Excess of revenues over expenditures</b>	<b>\$ 447,472</b>	<b>\$ 111,740</b>

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

**THE KENSINGTON CONSERVANCY**  
**Statement of Changes in Fund Balances**  
**Year Ended December 31, 2022**

	Operations Fund	Operations Reserve Fund	Restricted Investment in Capital Assets	Restricted Stewardship Fund	<b>2022</b>	2021
<b>Fund balances - beginning of year</b>	\$ (9,906)	\$ 46,186	\$ 1,547,615	\$ 353,143	<b>\$ 1,937,038</b>	\$ 1,825,298
Excess of revenues over expenditures	452,795	1,419	(14,944)	8,202	<b>447,472</b>	111,740
Interfund transfers	(424,247)	-	362,500	61,747	-	-
<b>Fund balances - end of year</b>	<b>\$ 18,642</b>	<b>\$ 47,605</b>	<b>\$ 1,895,171</b>	<b>\$ 423,092</b>	<b>\$ 2,384,510</b>	<b>\$ 1,937,038</b>

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

**THE KENSINGTON CONSERVANCY**  
**Statement of Cash Flows**  
**Year Ended December 31, 2022**

	2022	2021
<b>Operating activities</b>		
Excess of revenues over expenditures	\$ 447,472	\$ 111,740
Item not affecting cash:		
Amortization of capital assets	15,753	13,800
	<u>463,225</u>	<u>125,540</u>
Changes in non-cash working capital:		
Accounts receivable	6,289	6,751
Accounts payable and accrued liabilities	1,320	(18,656)
Deferred revenue	10,509	(35)
Prepaid expenses	(6,763)	244
Harmonized sales tax payable	6,152	144
Government remittances payable	4,744	589
Deferred capital contributions	(811)	(845)
	<u>21,440</u>	<u>(11,808)</u>
Cash flow from operating activities	<u>484,665</u>	<u>113,732</u>
<b>Investing activities</b>		
Purchase of capital assets	(362,500)	(125,828)
Term deposits	(1,419)	(1,142)
Restricted term deposits	(69,949)	(44,110)
Cash flow used by investing activities	<u>(433,868)</u>	<u>(171,080)</u>
<b>Financing activities</b>		
Deferred government assistance	-	10,000
Proceeds from long term financing	-	10,000
Cash flow from financing activities	<u>-</u>	<u>20,000</u>
<b>Increase (decrease) in cash flow</b>	<b>50,797</b>	<b>(37,348)</b>
Cash - beginning of year	<u>28,754</u>	<u>66,102</u>
<b>Cash - end of year</b>	<b>\$ 79,551</b>	<b>\$ 28,754</b>

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



# THE KENSINGTON CONSERVANCY

## Notes to Financial Statements

Year Ended December 31, 2022

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### 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.

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### 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). Canadian accounting standards for not-for-profit organizations are part of Canadian GAAP.

#### (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.

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**THE KENSINGTON CONSERVANCY**

**Notes to Financial Statements**

**Year Ended December 31, 2022**

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**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) Capital assets

Capital assets are stated at cost or deemed cost less accumulated amortization and are amortized over their estimated useful lives 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%

The organization regularly reviews its capital assets to eliminate obsolete items. Government grants are treated as a reduction of capital assets cost.

Capital assets 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.

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**THE KENSINGTON CONSERVANCY**  
**Notes to Financial Statements**  
**Year Ended December 31, 2022**

**3. Loans and notes receivable**

	<u>2022</u>	<u>2021</u>
<u>Operations Reserve fund</u>		
NCU term deposit bearing interest at 2.8% per annum, which is collateral for the line of credit.	\$ -	\$ 23,647
NCU term deposit bearing interest at 3.5% per annum, which is collateral for the line of credit.	<b>24,309</b>	-
NCU term deposit bearing interest at 2.8% per annum, which is collateral for the line of credit.	-	22,032
NCU term deposit bearing interest at 3.5% per annum, which is collateral for the line of credit.	<b>22,649</b>	-
Accrued interest	<b>647</b>	<b>507</b>
	<u><b>47,605</b></u>	<u>46,186</u>
<u>Restricted for stewardship</u>		
Home Trust Company GIC bearing interest at 2.95% per annum.	-	60,000
Home Trust Company GIC bearing interest at 5.09% per annum.	<b>50,000</b>	-
Effort Trust GIC bearing interest at 2.35% per annum.	<b>62,681</b>	62,681
Canadian Tire Bank GIC bearing interest at 2.06% per annum.	<b>50,000</b>	50,000
Icici Bank Canada GIC bearing interest at 1.32% per annum.	<b>64,543</b>	64,543
Versabank GIC bearing interest at 1.32% per annum.	-	37,728
Equitable Bank GIC bearing interest at 1.46% per annum.	<b>64,978</b>	64,978
CDN Western Bank GIC bearing interest at 5% per annum.	<b>50,453</b>	-
Royal Bank of Canada GIC bearing interest at 4.6% per annum.	<b>67,400</b>	-
Accrued interest	<b>13,037</b>	<b>13,213</b>
	<u><b>423,092</b></u>	<u>353,143</u>
	<u><b>\$ 470,697</b></u>	<u>\$ 399,329</u>

**THE KENSINGTON CONSERVANCY**  
**Notes to Financial Statements**  
**Year Ended December 31, 2022**

**4. Capital assets**

	Cost	Accumulated amortization	<b>2022 Net book value</b>	2021 Net book value
Land	\$ 1,617,209	\$ -	\$ 1,617,209	\$ 1,282,709
Land improvements	24,718	7,718	17,000	18,478
Building	289,638	57,787	231,851	241,512
Equipment	707	381	326	407
Computer equipment	875	849	26	58
Computer software	1,614	1,614	-	-
Boat	28,000	2,800	25,200	-
Furniture	10,475	6,915	3,560	4,451
Geothermal Unit	22,462	2,987	19,475	20,287
	<b>\$ 1,995,698</b>	<b>\$ 81,051</b>	<b>\$ 1,914,647</b>	<b>\$ 1,567,902</b>

During 2022, land was contributed to the organization with a fair market value of \$102,333.

**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.

	<b>2022</b>	2021
Capital contribution for Geothermal unit	\$ 23,500	\$ 23,500
Amortization of deferred capital contributions	(4,024)	(3,213)
	<b>\$ 19,476</b>	<b>\$ 20,287</b>

**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 7.45% 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 (2021: \$0).

**7. CEBA loan**

In 2020 and 2021, the organization obtained a \$60,000 loan under the Canada Emergency Business Account Program. If the organization repays \$40,000 by December 31, 2023, the \$20,000 balance will be forgiven. Otherwise, an interest rate of 5% will apply to the balance, which will be repayable at maturity on December 31, 2025. Since there is reasonable assurance that the organization will repay \$40,000 by December 31, 2023, the organization allocated \$20,000 in deferred income when the loan was granted and will recognize it in net income when the loan is repaid.

	<b>2022</b>	2021
Government of Canada CEBA loan interest-free loan if paid by December 31, 2023.	\$ 40,000	\$ 40,000
Amounts payable within one year	(40,000)	-
	<b>\$ -</b>	<b>\$ 40,000</b>

**THE KENSINGTON CONSERVANCY**  
**Notes to Financial Statements**  
**Year Ended December 31, 2022**

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**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>2022</u>	<u>2021</u>
Grants from The Kensington Conservancy - U.S.	\$ 492,223	\$ 229,578

At December 31, 2022, there were no amounts owing between the two organizations.

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**9. 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, 2022.

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 customers and other related sources, long term debt, obligations under capital leases, contributions to the pension plan, and accounts payable.

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 comprises three types of risk: currency rate risk, interest rate risk and other price risk. The organization is mainly exposed to currency risk.

Currency risk

Currency risk is the risk to the organization's earnings that arise from fluctuations of foreign exchange rates and the degree of volatility of these rates. The organization is exposed to foreign currency exchange risk on cash, accounts receivable, and accounts payable held in U.S. dollars. The organization does not use derivative instruments to reduce its exposure to foreign currency risk.

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.

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