

The School of Restoration Arts at Willowbank

Financial Statements

For the year ended June 30, 2022

The School of Restoration Arts at Willowbank

Financial Statements

For the year ended June 30, 2022

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Independent Auditor's Report

To the Superintendent of Private Career Colleges

Qualified Opinion

We have audited the financial statements of **The School of Restoration Arts at Willowbank** ("the organization"), which comprise the statement of financial position as at June 30, 2022, and the statement of changes in net assets, statement of operations 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 possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of **The School of Restoration Arts at Willowbank** as at June 30, 2022 and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations. Our audit opinion on the financial statements as at and for the year ended June 30, 2021 was qualified in a similar manner, with an audit report date of November 18, 2021.

Basis for Qualified Opinion

In common with many charitable organizations, **The School of Restoration Arts at Willowbank** 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 the amounts recorded in the records of the organization and we were not able to determine whether any adjustments might be necessary to revenue, excess of revenue over expenses, net assets, current assets, total assets or operating cash flows.

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.

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 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.

Independent Auditor's Report

To the Superintendent of Private Career Colleges (Continued)

Auditor's Responsibilities 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 it 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 a part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgement 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 a 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 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 or, if such disclosures are inadequate, to 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.

Jones & O'Connell LLP

Jones & O'Connell LLP
Chartered Professional Accountants
Licensed Public Accountants

November 23, 2022
St. Catharines, Ontario

The School of Restoration Arts at Willowbank

Statement of Financial Position

June 30	2022	2021
Assets		
Current		
Cash	\$ 255,058	\$ 211,694
Accounts receivable	9,598	2,286
HST recoverable	20,706	17,754
Government assistance receivable	-	12,501
Prepaid expenses	23,396	11,543
Asset held for sale (Note 2)	581,509	-
	890,267	255,778
Property and Equipment (Note 2)	4,234,797	4,714,673
	\$ 5,125,064	\$ 4,970,451
Liabilities and Net Assets		
Current		
Accounts payable and accrued liabilities	\$ 38,108	\$ 34,258
Deferred tuition fees	13,500	4,500
Deferred restricted contributions - other	108,522	62,818
Deferred restricted contributions - bursaries	38,953	36,193
Current portion of pooled mortgage payable (Note 4)	650,000	-
	849,083	137,769
Long-Term Debt (Note 3)	40,000	40,000
Pooled Mortgage Payable (Note 4)	-	650,000
Capital Contributions	1,513,769	1,492,769
	2,402,852	2,320,538
Net Assets		
Accumulated surplus	1,184	78,009
Investment in property and equipment (Note 5)	2,721,028	2,571,904
	2,722,212	2,649,913
	\$ 5,125,064	\$ 4,970,451

Subsequent Event (Note 10)

On behalf of the Board:

_____ Director

_____ Director

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

The School of Restoration Arts at Willowbank
Statement of Changes in Net Assets

For the year ended June 30	Accumulated Surplus	Investment in Property and Equipment (Note 5)	2022	2021
Balance , beginning of year	\$ 78,009	\$ 2,571,904	\$ 2,649,913	\$ 2,557,718
Excess of revenue over expenses (expenses over revenue)	75,311	(3,012)	72,299	92,195
Investment in property and equipment	(152,136)	152,136	-	-
Balance , end of year	\$ 1,184	\$ 2,721,028	\$ 2,722,212	\$ 2,649,913

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

The School of Restoration Arts at Willowbank

Statement of Operations

For the year ended June 30	2022	2021
Revenue		
Tuition fees	\$ 181,000	\$ 145,000
Donations	304,884	252,032
Grants	8,635	26,638
Other	41,896	9,171
	<u>536,415</u>	<u>432,841</u>
Expenses		
Administration & general (Schedule 1)	66,324	107,251
Amortization of equipment	3,012	1,752
Operations & maintenance (Schedule 2)	54,633	34,649
Programs (Schedule 3)	297,191	213,787
	<u>421,160</u>	<u>357,439</u>
Excess of Revenue over Expenses Before Other Income and Discontinued Operation	<u>115,255</u>	<u>75,402</u>
Other Income		
Forgivable portion of CEBA loan (Note 3)	-	20,000
Canada emergency wage subsidy	117	37,084
Temporary wage subsidy	-	1,499
Canada emergency rent subsidy	348	6,314
	<u>465</u>	<u>64,897</u>
Excess of Revenue over Expenses Before Discontinued Operation	<u>115,720</u>	<u>140,299</u>
Excess of expense over revenue from discontinued operation (Note 6)	<u>(43,421)</u>	<u>(48,104)</u>
Excess of Revenue over Expenses	<u>\$ 72,299</u>	<u>\$ 92,195</u>

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

The School of Restoration Arts at Willowbank
Schedules of Expenses

For the year ended June 30

2022

2021

Schedule 1 - Administration & General

Advertising and promotion	\$ 4,055	\$ 42,578
Bank charges and interest	2,506	2,164
Board meeting	349	983
Business development expense	6,496	16,593
Office and miscellaneous expenses	7,689	5,906
Professional fees	29,210	23,189
Telephone	3,517	3,651
Travel	12,502	12,187
	\$ 66,324	\$ 107,251

Schedule 2 - Operations & Maintenance

Insurance	\$ 8,864	\$ 7,617
Property maintenance	27,819	8,920
Property taxes	4,802	4,711
Utilities	13,148	13,401
	\$ 54,633	\$ 34,649

Schedule 3 - Programs

Instructors	\$ 88,756	\$ 52,151
Salaries & benefits	128,174	102,213
School supplies	24,346	15,873
Scholarships	31,800	43,550
WB Builds and Centre	24,115	-
	\$ 297,191	\$ 213,787

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

The School of Restoration Arts at Willowbank

Statement of Cash Flows

For the year ended June 30	2022	2021
Cash Provided By (Used In)		
Operating Activities		
Excess of revenue over expenses	\$ 72,299	\$ 92,195
Items not involving cash:		
Forgivable portion of CEBA loan	-	(20,000)
Amortization of equipment	3,012	1,752
Changes in non-cash working capital balances		
Accounts receivable	(7,312)	(2,116)
HST recoverable	(2,952)	(7,351)
Government assistance receivable	12,501	(12,501)
Prepaid expenses	(20,753)	(1,184)
Accounts payable and accrued liabilities	3,850	6,211
Deferred tuition fees	9,000	1,000
Deferred restricted contributions - other	54,604	32,444
Deferred restricted contributions re bursaries	2,760	(6,553)
	127,009	83,897
Investing Activities		
Purchase of property and equipment	(98,645)	(121,129)
Financing Activities		
Repayment of demand loan payable	-	(20,000)
Advances of long-term debt	-	35,500
Capital contributions received	15,000	93,500
	15,000	109,000
Increase in Cash	43,364	71,768
Cash, beginning of year	211,694	139,926
Cash, end of year	\$ 255,058	\$ 211,694
Non-Cash Information		
Capital contribution of furniture	\$ 6,000	\$ 13,145
Deferral (recognition) of contribution of prepaid expense	(8,900)	8,900

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

The School of Restoration Arts at Willowbank

Notes to Financial Statements

June 30, 2022

Nature of the Organization

The School of Restoration Arts at Willowbank (the "Organization") was incorporated on February 14, 2003, under the laws of the Province of Ontario, as an organization without share capital with the following objectives:

- To provide a forum for the discussion of philosophies of restoration arts;
- To teach conservation and restoration skills including building, survey and assessment of historic sites, archaeology, heritage landscape, material culture research and heritage architectural details, with the intention of teaching such skills in a working environment in which a venue undergoing restoration would be the classroom;
- To teach traditional methods of manufacture and historic period building techniques;
- To teach and define the building traditions which represent "the Niagara vernacular";
- To teach the techniques of recording and salvaging elements of heritage buildings which are slated for demolition;
- To teach reuse and adaptation of heritage buildings to ensure their preservation and survival;
- To promote and interact with heritage preservation programs and organizations and to advocate the establishment of a National Trust and Registry for heritage, and:
 - a) to market these skills;
 - b) to enhance employment opportunities and establish a skills base for others;
 - c) to provide a model for similar "schools";
 - d) to promote public interest in restoration and conservation; and
 - e) to identify sources of sympathetic materials available for restoration and conservation needs;
- To restore and preserve heritage properties and chattels;
- To promote public access to heritage properties;
- To function as a museum, archive, library, resource centre and national registry for heritage; and
- To develop education materials and curricula for the training of students.

The following restrictions apply:

- The Organization shall be subject to The Charities Accounting Act and The Charitable Gifts Act;
- The affairs of the Organization shall be carried on without the purpose of gain for its members and any profits or other accretions to the Organization shall be used in promoting its objectives;
- The directors shall serve as such without remuneration and no director shall directly or indirectly receive any profit from their position as such;
- Upon the dissolution of the Organization and after payment of all debts and liabilities, its remaining property shall be distributed or disposed of to charitable organizations which carry on their work solely in Canada;
- As a charitable organization the organization is exempt from income taxes.

The School of Restoration Arts at Willowbank

Notes to Financial Statements

June 30, 2022

1. Significant Accounting Policies

Basis of Presentation

The Organization prepares its financial statements in accordance with Canadian Accounting Standards for not for profit organizations.

Revenue Recognition

The Organization follows the deferral method of accounting for contributions.

Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Restricted contributions related to property and equipment are maintained as capital contributions on the statement of financial position as they relate mainly to property and equipment that is not being amortized. 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. Tuition fees and other revenue are recognized when the related service is performed and collection is reasonably assured.

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 and accounts receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities, long-term debt and pooled mortgage payable.

Property and Equipment

Purchased property and equipment is presented at cost less accumulated amortization. Contributed property and equipment are recorded at their fair value on the date of contribution. Amortization is only taken on equipment, computer equipment and vehicle, provided for annually using the straight line method over a period of 4 years. The land and estate and related renovations, Laura Secord School, barn, forge studio, furniture, books and clothing and whitegoods hold the designation of historical significance thus do not have a limited life. Historic treasures and works of art are not amortized, provided that the Organization has the technological and financial ability to preserve them. Preservation is part of the mandate of the Organization, thus amortization of these items is not required.

Asset Held for Sale

Asset held for sale is presented at lower of cost less accumulated amortization and fair value.

The School of Restoration Arts at Willowbank

Notes to Financial Statements

June 30, 2022

1. Significant Accounting Policies (Continued)

Contributed Services

Volunteers contribute numerous hours and supplies each year to assist the Organization. Due to the difficulty of determining their fair value, contributed services are not recognized in the financial statements unless their fair value can be reasonably estimated based on known information.

2. Property and Equipment

	2022		2021	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land and estate	\$ 2,121,383	\$ -	\$ 2,121,383	\$ 2,121,383
Estate renovations	1,510,458	-	1,510,458	1,422,462
Laura Secord School	-	-	-	581,509
Barn	355,324	-	355,324	352,174
Forge studio	171,299	-	171,299	171,299
Furniture	61,797	-	61,797	55,797
Equipment	37,713	30,869	6,844	2,254
Books	3,529	-	3,529	3,529
Clothing and whitegoods	4,059	-	4,059	4,059
Computer equipment	24,024	23,920	104	207
	\$ 4,289,586	\$ 54,789	\$ 4,234,797	\$ 4,714,673

Asset Held For Sale

The Laura Secord School property has been classified as held for sale due to the plan created by management during the year to sell the property, pay off the pooled mortgage payable as described in Note 4 and invest the balance to support school operations in the future. The sale of this property was completed subsequent to year end as disclosed in Note 10.

	2022		2021	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Laura Secord School	\$ 581,509	\$ -	\$ 581,509	\$ -

The School of Restoration Arts at Willowbank

Notes to Financial Statements

June 30, 2022

3. Long-Term Debt

	2022	2021
Canada Emergency Business Account, credit line of \$60,000, non-interest bearing up to December 31, 2023, 5% per annum starting on January 1, 2024; interest only payment, principal due on December 31, 2025. The loan may be repaid in total or any portion at any time at the option of the organization, unsecured, net of forgivable portion of \$20,000	\$ 40,000	\$ 40,000

Principal repayments required over the term of the loans are as follows: 2024 - \$40,000.

Under the terms of the Canada Emergency Business Account loan, if the outstanding principal, other than the amount of debt forgiveness, is repaid by December 31, 2023, the remaining principal amount of \$20,000 will be forgiven, provided that no default under the loan has occurred. In the event the principal, other than the amount of potential debt forgiveness, is not repaid by December 31, 2023, the full amount of the loan of \$60,000 will be required to be repaid by December 31, 2025, with interest as noted above.

4. Pooled Mortgage Payable

	2022	2021
Pooled mortgage payable, bearing interest at 3.9%, interest only payable quarterly, maturing June 20, 2023, secured by a first charge mortgage on property at 14487 Niagara Parkway, Queenston, Ontario	\$ 650,000	\$ 650,000
Less: Current portion	(650,000)	-
	\$ -	\$ 650,000

Interest on long-term debt for the year ended June 30, 2022 was \$25,350 (2021 - \$25,350).

Principal repayments required over next five years is 2023 - \$650,000. The pooled mortgage payable was paid out subsequent to year end as disclosed in Note 10.

Included in pooled mortgage payable is \$150,000 (2021 - \$150,000) owed to a board member.

The School of Restoration Arts at Willowbank

Notes to Financial Statements

June 30, 2022

5. Investment in Property and Equipment

	2022	2021
Property and equipment, net	\$ 4,234,797	\$ 4,714,673
Amounts financed by:		
Pooled mortgage payable	-	(650,000)
Capital contributions	(1,513,769)	(1,492,769)
	\$ 2,721,028	\$ 2,571,904

6. Discontinued Operation

As disclosed in Note 10, on July 8, 2022, the Organization completed the sale of the Laura Secord School property. Financial information relating to the discontinued operations of the Laura Secord School property are set out below:

	2022	2021
Revenue		
Other	\$ 19,597	\$ 4,350
Expenses		
Administration & general - bank charges and interest	25,350	25,350
Administration & general - telephone	1,511	901
Operations & maintenance - insurance	8,864	7,617
Operations & maintenance - property maintenance	10,835	8,230
Operations & maintenance - utilities	12,864	10,041
Maintenance - salaries & benefits	3,594	315
	63,018	52,454
Excess of Expense over Revenue from discontinued operation	\$ (43,421)	\$ (48,104)

Certain comparative figures were reclassified to conform to this financial statement presentation.

The School of Restoration Arts at Willowbank

Notes to Financial Statements

June 30, 2022

7. Related Party Transactions

Transactions between related parties are recorded at the exchange amount agreed to between the related parties.

Included in bank charges and interest is \$5,850 (2021 - \$5,850) paid to a board member.

Included in donation revenue is \$25,222 (2021 - \$nil) received from board members.

Included in deferred restricted contributions - other are amounts received from board members of \$48,014 (2021 - \$16,500).

Included in deferred restricted contributions re bursaries are amounts received from a board member of \$9,202 (2021 - \$5,746).

Included in capital contributions are amounts received from a board member of \$nil (2021 - \$33,500).

8. Other Disclosures - Contributions

Included in donation revenue is donations received from the Weathertop Foundation, USA of \$82,644 (2021 - \$84,180).

Included in donation revenue is donations received from 2 other Foundations of \$56,000 (2021 - \$35,000).

The School of Restoration Arts at Willowbank

Notes to Financial Statements

June 30, 2022

9. Financial Risks

Liquidity Risk

The business of the Organization necessitates the management of liquidity risk. Liquidity risk is the risk of being unable to meet anticipated daily financial obligations. There has been no change to this risk exposure from the prior year.

Credit Risk

The business of the Organization necessitates the management of credit risk. Credit risk is the potential for loss due to the failure of counterparties to meet their obligations. There has been no change to this risk exposure from the prior year.

Interest Rate Risk

The organization has loans that are exposed to interest rate risk as changes in market rates directly affect the fair value associated with the liability. There has been no change to this risk exposure from the prior year.

10. Subsequent Event

On July 8, 2022, the Organization completed the sale of the Laura Secord School property, which was being held as an asset for sale as described in Note 2, for gross proceeds of \$2,275,000, net of estimated commission expense of \$76,000 and estimated other costs of \$26,000 (\$22,000 of which are included in prepaid expenses at year end). The net proceeds of the sale have been used to pay off the \$650,000 pooled mortgage payable described in Note 4.

Certain holders of the pooled mortgage payable donated \$125,000 back to the Organization after repayment of the pooled mortgage payable noted above.