

The School of Restoration Arts at Willowbank

Financial Statements

For the year ended June 30, 2023

The School of Restoration Arts at Willowbank

Financial Statements

For the year ended June 30, 2023

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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, 2023, 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, 2023 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, 2022 was qualified in a similar manner, with an audit report date of November 23, 2022.

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:

- Identity 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 27, 2023
St. Catharines, Ontario

The School of Restoration Arts at Willowbank

Statement of Financial Position

June 30	2023	2022
Assets		
Current		
Cash	\$ 254,658	\$ 255,058
Short-term investments (Note 2)	1,556,209	-
Accounts receivable	3,963	9,598
HST recoverable	25,324	20,365
Prepaid expenses	14,345	23,396
Asset held for sale (Note 3)	-	581,509
	1,854,499	889,926
Property and Equipment (Note 3)	4,269,595	4,234,797
	\$ 6,124,094	\$ 5,124,723
Liabilities and Net Assets		
Current		
Accounts payable and accrued liabilities	\$ 34,072	\$ 37,767
Deferred tuition fees	500	13,500
Deferred restricted contributions - other	56,793	108,522
Deferred restricted contributions - bursaries	62,340	38,953
Current portion of long-term debt (Note 4)	40,000	-
Current portion of pooled mortgage payable (Note 5)	-	650,000
	193,705	848,742
Long-Term Debt (Note 4)	-	40,000
Capital Contributions	1,563,769	1,513,769
	1,757,474	2,402,511
Net Assets		
Accumulated surplus	1,660,794	1,184
Investment in property and equipment (Note 6)	2,705,826	2,721,028
	4,366,620	2,722,212
	\$ 6,124,094	\$ 5,124,723

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 6)	2023	2022
Balance , beginning of year	\$ 1,184	\$ 2,721,028	\$ 2,722,212	\$ 2,649,913
Excess of revenue over expenses (expenses over revenue)	1,653,640	(9,232)	1,644,408	72,299
Investment in property and equipment	5,970	(5,970)	-	-
Balance , end of year	\$ 1,660,794	\$ 2,705,826	\$ 4,366,620	\$ 2,722,212

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	2023	2022
Revenue		
Tuition fees	\$ 182,500	\$ 181,000
Donations	253,005	304,884
Grants	-	8,635
Fundraising	8,600	-
Interest	59,230	194
Other	14,610	41,702
	<u>517,945</u>	<u>536,415</u>
Expenses		
Administration & general (Schedule 1)	105,509	66,324
Amortization of equipment	9,232	3,012
Operations & maintenance (Schedule 2)	66,116	54,633
Programs (Schedule 3)	275,119	297,191
	<u>455,976</u>	<u>421,160</u>
Excess of Revenue over Expenses Before Other Income (Expense) and Discontinued Operations	<u>61,969</u>	<u>115,255</u>
Other Income (Expense)		
Canada emergency wage subsidy	-	117
Canada emergency rent subsidy	-	348
	<u>-</u>	<u>465</u>
Excess of Revenue over Expenses Before Discontinued Operations	<u>61,969</u>	<u>115,720</u>
Excess of Revenue over Expense (Expense over Revenue) from Discontinued Operations (Note 7)	<u>1,582,439</u>	<u>(43,421)</u>
Excess of Revenue over Expenses	<u>\$ 1,644,408</u>	<u>\$ 72,299</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 **2023** **2022**

Schedule 1 - Administration & General

Advertising and promotion	\$	4,985	\$	4,055
Bank charges and interest		2,810		2,506
Board meeting		731		349
Business development expense		-		6,496
Office and miscellaneous expenses		17,750		7,689
Professional fees		47,277		29,210
Telephone		3,813		3,517
Travel		28,143		12,502
		<hr/> \$ 105,509		<hr/> \$ 66,324

Schedule 2 - Operations & Maintenance

Insurance	\$	15,765	\$	8,864
Property maintenance		33,138		27,819
Property taxes		3,899		4,802
Utilities		13,314		13,148
		<hr/> \$ 66,116		<hr/> \$ 54,633

Schedule 3 - Programs and Events

Instructors	\$	83,002	\$	88,756
Salaries & benefits		152,035		128,174
School supplies		11,682		24,346
Scholarships		19,800		31,800
WB builds and centre		-		24,115
Reimaging event expense		8,600		-
		<hr/> \$ 275,119		<hr/> \$ 297,191

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	2023	2022
Cash Provided By (Used In)		
Operating Activities		
Excess of revenue over expenses	\$ 1,644,408	\$ 72,299
Items not involving cash:		
Accrued interest income	(46,835)	-
Amortization of equipment	9,232	3,012
Gain on disposal of Laura Secord School	(1,585,364)	-
	<u>21,441</u>	<u>75,311</u>
Changes in non-cash working capital balances		
Accounts receivable	5,635	(7,312)
HST recoverable	(4,959)	(2,813)
Government assistance receivable	-	12,501
Prepaid expenses	9,051	(20,753)
Accounts payable and accrued liabilities	(3,695)	3,711
Deferred tuition fees	(13,000)	9,000
Deferred restricted contributions - other	(51,729)	54,604
Deferred restricted contributions re bursaries	23,387	2,760
	<u>(13,869)</u>	<u>127,009</u>
Investing Activities		
Purchase of investments	(1,509,374)	-
Purchase of property and equipment	(44,030)	(98,645)
Proceeds on disposal of Laura Secord School	2,275,000	-
Costs on disposal of Laura Secord School	(108,127)	-
	<u>613,469</u>	<u>(98,645)</u>
Financing Activities		
Repayment of pooled mortgage payable	(650,000)	
Capital contributions received	50,000	15,000
	<u>(600,000)</u>	<u>15,000</u>
Increase (Decrease) in Cash	(400)	43,364
Cash, beginning of year	255,058	211,694
Cash, end of year	\$ 254,658	\$ 255,058
Non-Cash Information		
Capital contribution of furniture	\$ -	\$ 6,000
Deferral (recognition) of contribution of prepaid expense	-	(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, 2023

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, 2023

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. Interest is recognized on an accrual basis over the passage of time.

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, short-term investments held in term deposits and accounts receivable. Financial assets measured at fair value include short-term investments held in investment savings mutual funds. Changes in fair value are included in other income for the year.

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, 2023

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. Short-Term Investments

	2023	2022
Term deposits, interest rates ranges from 2.85% - 4.92%, maturity ranges from Septmeber 26, 2023 to October 30, 2023, fair value approximates amortized cost plus accrued interest given the short terms to maturity	\$ 1,490,000	-
Investment savings mutual funds, 1,937 units, cost \$19,374	19,374	-
Accrued interest	46,835	-
	\$ 1,556,209	\$ -

3. Property and Equipment

	2023		2022	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land and estate	\$ 2,121,383	\$ -	\$ 2,121,383	\$ 2,121,383
Estate renovations	1,529,451	-	1,529,451	1,510,458
Barn	355,324	-	355,324	355,324
Forge studio	171,299	-	171,299	171,299
Furniture	61,797	-	61,797	61,797
Equipment	48,762	36,500	12,262	6,844
Books	3,529	-	3,529	3,529
Clothing and whitegoods	4,059	-	4,059	4,059
Computer equipment	38,012	27,521	10,491	104
	\$ 4,333,616	\$ 64,021	\$ 4,269,595	\$ 4,234,797

The School of Restoration Arts at Willowbank

Notes to Financial Statements

June 30, 2023

3. Property and Equipment (Continued)

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 prior year to sell the property and pay off the pooled mortgage payable as described in Note 5 and invest the balance to support school operations in the future. The sale of this property was completed on July 8, 2022.

	2023		2022
	Cost	Accumulated Amortization	Net Book Value
Laura Secord School	-	-	581,509
	-	-	

4. Long-Term Debt

	2023		2022
Canada Emergency Business Account, credit line of \$60,000, non-interest bearing up to January 18, 2024, 5% per annum starting on January 19, 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
Less: Current portion		(40,000)	-
	\$	-	\$ 40,000

Under the terms of the CEBA loan, if the outstanding principal, other than the amount of debt forgiveness, is repaid by January 18, 2024, the remaining principal amount 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 January 18, 2024, the full amount of the loan will be required to be repaid by December 31, 2025, with interest as noted above.

The principal repayments required are as follows: 2024 - \$40,000.

The School of Restoration Arts at Willowbank
Notes to Financial Statements

June 30, 2023

5. Pooled Mortgage Payable

	2023	2022
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
Less: Current portion	-	(650,000)
	\$ -	\$ -

Interest on long-term debt for the year ended June 30, 2023 was \$nil (2022 - \$25,350).

The pooled mortgage payable was paid out on July 8, 2022, following the sale of Laura Secord School.

6. Investment in Property and Equipment

	2023	2022
Property and equipment, net	\$ 4,269,595	\$ 4,234,797
Amounts financed by:		
Capital contributions	(1,563,769)	(1,513,769)
	\$ 2,705,826	\$ 2,721,028

The School of Restoration Arts at Willowbank
Notes to Financial Statements

June 30, 2023

7. Discontinued Operations

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:

	2023	2022
Revenue		
Other	\$ -	\$ 19,597
Expenses		
Administration & general - bank charges and interest	-	25,350
Administration & general - telephone	147	1,511
Operations & maintenance - insurance	-	8,864
Operations & maintenance - property maintenance	816	10,835
Operations & maintenance - utilities	507	12,864
Operations & maintenance - property taxes	1,169	-
Maintenance - salaries & benefits	286	3,594
	2,925	63,018
Excess of Expense over Revenue from Discontinued Operations Before Other Item	(2,925)	(43,421)
Other Item		
Gain on sale of Laura Secord School	1,585,364	-
Excess of Revenue over Expense (Expense over Revenue) from Discontinued Operations	\$ 1,582,439	\$ (43,421)

A summary of the disposal of Laura Secord School and consideration received related to this transaction is summarized below:

Consideration Received	
Cash	\$ 2,275,000
Carrying amount of assets disposed of:	
Property and equipment	581,509
Gain on disposal before other adjustments:	1,693,491
Costs of disposal	(108,127)
Gain on sale of Laura Secord School	\$ 1,585,364

The School of Restoration Arts at Willowbank

Notes to Financial Statements

June 30, 2023

8. 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 \$nil (2022 - \$5,850) paid to a board member.

Included in donation revenue is \$30,550 (2022 - \$25,222) received from board members.

Included in deferred restricted contributions - other are amounts received from board members of \$23,014 (2022 - \$48,014).

Included in deferred restricted contributions re bursaries are amounts received from a board member of \$2,153 (2022 - \$9,202).

9. Other Disclosures - Contributions

Included in donation revenue is donations received from the Weathertop Foundation, USA of \$100,628 (2022 - \$82,644).

Included in donation revenue is donations received from 4 other contributors of \$85,500 (2022 - \$56,000 from 2 other Foundations).

10. 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.