

J. STECKLE HERITAGE HOMESTEAD

2022 Financial Statements

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Independent Auditor's Report

To the board of directors of
J. Steckle Heritage Homestead

Qualified Opinion

I have audited the financial statements of J. Steckle Heritage Homestead, which comprise the statement of financial position as at December 31, 2022, and the statements of operations, changes in net assets 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 effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of J. Steckle Heritage Homestead as at December 31, 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.

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Organization derives revenue from fundraising activities the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Organization. Therefore, I was not able to determine whether any adjustments might be necessary to fundraising revenue, excess of revenues over expenses, and cash flows from operations for the years ended December 31, 2022 and 2021, current assets as at December 31, 2022 and 2021, and net assets as at January 1 and December 31 for both the 2022 and 2021 years. My audit opinion on the financial statements for the year ended December 31, 2022 was modified accordingly because of the possible effects of this limitation in 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 the 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 opinion.

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Independent Auditor's Report — continued

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. 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.

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Independent Auditor's Report — continued

- ◆ 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.

Ank

Ark Accounting & Tax Professional Corporation
Authorized to practise public accounting by the
Chartered Professional Accountants of Ontario
Kitchener, Ontario
May 22, 2023

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J. STECKLE HERITAGE HOMESTEAD
Statement of Operations
Year ended December 31, 2022

	2022	%	2021	%
			(note 13)	
Revenue				
Program fees	\$ 208,502	39.9	\$ 130,135	37.4
Wedding revenue	122,666	23.5	59,594	17.1
Grant revenue	95,939	18.3	103,781	29.8
Rental	53,366	10.2	38,426	11.0
Events income	20,164	3.9	-	
Fundraising and donations	12,942	2.5	4,940	1.4
Interest and other income	7,986	1.5	10,151	2.9
Farm produce	1,400	0.3	1,320	0.4
	522,965	100.0	348,347	100.0
Expenses				
Animal and crop maintenance	6,419	1.2	3,623	1.0
Capital projects	30,114	5.8	49,697	14.3
Events expenses	17,496	3.3	9,549	2.7
Insurance	9,131	1.7	9,118	2.6
Interest and bank charges	5,242	1.0	7,106	2.0
Interest on long-term debt	374	0.1	1,471	0.4
Office and administration	8,073	1.5	11,420	3.3
Professional fees	28,940	5.5	27,162	7.8
Program expenses	14,095	2.7	6,442	1.8
Property taxes	4,296	0.8	2,882	0.8
Repairs and maintenance	13,990	2.7	7,087	2.0
Salaries and related benefits	276,971	53.0	330,636	94.9
Telephone and utilities	18,321	3.5	12,367	3.6
	433,462	82.9	478,560	137.4
Excess (deficiency) of revenue over expenses before undernoted items	89,503	17.1	(130,213)	(37.4)
Other expenses (income)				
Government subsidies	-		(88,217)	(25.3)
Debt forgiveness	-		(10,000)	(2.9)
Writedown (writeup) of investments	24,129	4.6	(1,774)	(0.5)
	24,129	4.6	(99,991)	(28.7)
Excess (deficiency) of revenue over expenses	\$ 65,374	12.5	\$ (30,222)	(8.7)

See accompanying notes

J. STECKLE HERITAGE HOMESTEAD
Statement of Financial Position
As at December 31, 2022

	2022	2021 (note 13)
ASSETS		
Current assets		
Cash	\$ 88,424	\$ 41,521
Investments and marketable securities (note 2)	225,986	243,625
Accounts receivable (note 3)	5,467	22,556
Prepaid expenses	983	2,437
	320,860	310,139
Land (note 4)	1	1
	\$ 320,861	\$ 310,140

LIABILITIES AND FUND BALANCES

Current liabilities		
Accounts payable and accrued liabilities (note 6)	\$ 24,614	\$ 30,412
Unearned revenue	4,500	11,512
Rental and event deposits	40,582	68,064
Long-term debt (note 7)	49,983	14,357
	119,679	124,345
Long-term debt (note 7)	22,264	72,251
	141,943	196,596
Net assets	178,918	113,544
	\$ 320,861	\$ 310,140

See accompanying notes

On behalf of the Board

Director _____

Director _____

J. STECKLE HERITAGE HOMESTEAD
Statement of Changes in Net Assets
Year ended December 31, 2022

	2022			
	Restricted	Unrestricted	Endowment	Total
Balance, beginning of year	\$ (393,311)	\$ 315,834	\$ 191,021	\$ 113,544
Excess (deficiency) of revenue over expenses	(20,833)	86,207	-	65,374
Balance, end of year	\$ (414,144)	\$ 402,041	\$ 191,021	\$ 178,918
	2021			
	(note 13)			
	Restricted	Unrestricted	Endowment	Total
Balance, beginning of year	\$ (347,929)	\$ 300,674	\$ 191,021	\$ 143,766
Excess (deficiency) of revenue over expenses	(45,382)	15,160	-	(30,222)
Balance, end of year	\$ (393,311)	\$ 315,834	\$ 191,021	\$ 113,544

See accompanying notes

J. STECKLE HERITAGE HOMESTEAD
Statement of Cash Flows
Year ended December 31, 2022

	2022	2021 (note 13)
Operating activities		
Excess (deficiency) of revenue over expenses	\$ 65,374	\$ (30,222)
Items not involving cash		
Writedown (writeup) of investments	24,129	(1,774)
Forgiveness of debt	-	(10,000)
	89,503	(41,996)
Net change in non-cash working capital items		
Investments and marketable securities	(6,490)	(8,804)
Accounts receivable	17,089	(8,208)
Prepaid expenses	1,454	406
Accounts payable and accrued liabilities	(5,798)	(5,068)
Unearned revenue	(7,012)	11,512
Rental and event deposits	(27,482)	(45,080)
	(28,239)	(55,242)
Cash flows from operating activities provided by (used in) operating activities	61,264	(97,238)
Financing activities		
Proceeds of long-term debt	-	58,697
Repayment of long-term debt	(14,361)	(11,355)
Cash flows from financing activities provided by (used in) financing activities	(14,361)	47,342
Net change in cash during the year	46,903	(49,896)
Cash, beginning of year	41,521	91,417
Cash, end of year	\$ 88,424	\$ 41,521

See accompanying notes

J. STECKLE HERITAGE HOMESTEAD
Notes to Financial Statements
Year ended December 31, 2022

Nature of operations

J. Steckle Heritage Homestead (the "Organization") was incorporated without share capital under letters patent by the Ministry of Consumer and Commercial Affairs. The purpose of the Organization is the restoration, conservation and interpretation of the historical site.

The Organization is a registered charity under the Income Tax Act and, accordingly, is exempt from income taxes provided certain requirements of the Income Tax Act are met.

1. Summary of significant accounting policies

The Organization applies the Canadian accounting standards for not-for-profit organizations.

Fund accounting deferred

The Organization follows the deferral method of accounting for contributions which includes grants and donations. The purpose of the funds are as follows:

- (i) Unrestricted fund - the unrestricted fund accounts for the Organization's program and administrative activities.
- (ii) Restricted fund - the restricted fund accounts for the development of the land that was donated by the City of Kitchener.
- (iii) Endowment fund - the endowment fund reports resources contributed for endowment. Investment income earned on resources of the endowment fund is reported in the unrestricted fund.

Revenue recognition

Government assistance for operating expenses received as a result of the Government of Canada COVID response programs is recognized as revenue in the period to which it relates.

Grants, donations and fundraising are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Program activities, wedding, events and rental revenue are recognized as services are rendered.

Interest and other income is recognized as revenue when earned.

Contributions for endowment are recognized as revenue in the endowment fund.

Cash and cash equivalents

Cash and cash equivalents include cash and short-term investments with maturities of three months or less from their date of acquisition, which are readily convertible into a known amount of cash, and are subject to an insignificant risk to changes in their fair value.

J. STECKLE HERITAGE HOMESTEAD

Notes to Financial Statements

Year ended December 31, 2022

1. Summary of significant accounting policies — continued

Marketable securities

Marketable securities are carried at the lower of cost and market value.

Capital assets

The Organization expenses its capital assets. During the current year, capital expenditures included \$30,114 (2021 - \$54,342).

Financial instruments

The Organization initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions.

The Organization subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in net income.

Financial assets measured at amortized cost include cash, GIC and accounts receivable.

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

The Organization has designated investments and marketable securities to be measured at fair value.

Contributed materials and services

Volunteers contributed time to assist the Organization in carrying out its education program. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

2. Investments and marketable securities

	2022	2021 (note 13)
Equity instruments, at fair value	\$ 127,483	\$ 148,475
GIC, at cost	32,073	31,367
GIC, at cost	66,430	63,783
	<u>\$ 225,986</u>	<u>\$ 243,625</u>

J. STECKLE HERITAGE HOMESTEAD

Notes to Financial Statements

Year ended December 31, 2022

3. Accounts receivable

	2022	2021 (note 13)
Accrued interest	\$ 2,622	\$ 2,253
Accounts receivable	2,845	22
Accrued CEWS receivable	-	20,281
	\$ 5,467	\$ 22,556

4. Land

The City of Kitchener has donated land adjacent to the Homestead property to the Foundation (J. Steckle Heritage Foundation) for the purpose of supporting future initiatives of the Homestead. The City has first right of refusal on this land at a nominal cost of \$1. On January 1, 2016 J. Steckle Heritage Homestead was amalgamated under the Income Tax Act with the Foundation. This land nominal value is recorded in J. Steckle Heritage Homestead's books.

5. Line of credit

The Organization has a business line of credit to a maximum of \$50,000 and bears interest at bank prime plus 1% per annum and is secured by a general security agreement and the investments disclosed in note 2. At year end \$50,000 (2021-\$34,600) was available for use.

6. Accounts payable and accrued liabilities

	2022	2021 (note 13)
Accounts payable and accrued liabilities	\$ 10,004	\$ 17,514
Payroll remittances payable	4,502	4,751
Harmonized sales tax payable	4,858	1,844
Accrued wages	5,250	6,303
	\$ 24,614	\$ 30,412

The Organization has a Visa credit facility with Libro Credit Union with a credit limit of \$2,500. At year end \$1,966 was available for use.

J. STECKLE HERITAGE HOMESTEAD

Notes to Financial Statements

Year ended December 31, 2022

7. Long-term debt

	2022	2021 (note 13)
Term loan payable, interest at 4.56%, repayable in monthly instalments of \$697 on account of principal and interest, due 15 May 2024, secured by investments in note 2.	\$ 3,622	\$ 11,622
Canadian Emergency Business Account (CEBA) loan, non-interest bearing with no repayment until the loan matures in December 2023. Repayment of the loan balance on or before December 2023 will result in the forgiveness of 33%, up to \$20,000, if the loan is fully repaid on or before December 2023. Of this amount, \$10,000 was included in income in the current year and \$10,000 was included in income in the prior year. If the unforgiven balance of the loan is not fully repaid by December 31, 2023, the loan will be converted to a 3-year term loan at 5.00% per annum, paid monthly, effective January 2023 (notes 10 & 11).	40,000	40,000
Term loan payable, interest at 0.00%, repayable in monthly instalments of \$530 on account of principal, due June 2027, secured by a tractor.	28,625	34,986
	72,247	86,608
Less: current portion	49,983	14,357
	\$ 22,264	\$ 72,251

Minimum principal payments over the next five years are as follows:

2023	\$ 49,983
2024	6,361
2025	6,361
2026	6,361
Thereafter	3,181
	\$ 72,247

J. STECKLE HERITAGE HOMESTEAD
Notes to Financial Statements
Year ended December 31, 2022

8. Financial instruments

Liquidity risk

The Organization does have a liquidity risk in the accounts payable and accrued liabilities of \$24,614 (2021 - \$30,412). Liquidity risk is the risk that the Organization cannot repay its obligations when they become due to its creditors. The Organization reduces its exposure to liquidity risk by ensuring that it documents when authorized payments become due; maintains an adequate line of credit to repay trade creditors and repays long term debt interest and principal as they become due. In the opinion of management the liquidity risk exposure to the Organization is low and is not material.

Credit risk

The Organization does have credit risk in accounts receivable of \$5,467 (2021 - \$22,556). Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss. The Organization reduces its exposure to credit risk by performing credit valuations on a regular basis; granting credit upon a review of the credit history of the applicant and creating an allowance for bad debts when applicable. The Organization maintains strict credit policies and limits in respect to counterparties. In the opinion of management the credit risk exposure to the Organization is low and is not material and the allowance for bad debt is \$0 (2021-\$0).

9. Bequests

During 2004, the charity received the real property known as 811-831 Bleams Road, furnishings and contents, and an automobile as a beneficiary under the will of Jean Steckle. These have not been recognized in the financial statements as the charity expenses capital when funded.

10. Subsequent events

For the purpose of the accompanying financial statements, subsequent events have been evaluated by management through to the date of the report, with is the date these financial statements were available to be issued.

J. STECKLE HERITAGE HOMESTEAD
Notes to Financial Statements
Year ended December 31, 2022

11. Contingent liabilities

For the purpose of the accompanying financial statements, contingent liabilities have been evaluated by management.

The Organization has obtained a Canadian Emergency Business Account (CEBA) loan (note 7) from the federal government in the amount of \$60,000. The government loan has a forgivable amount up to 33% of the loan balance. As a result, \$20,000 was recognized as income. If the Organization defaults on the requirements to repay the remaining balance by December 2023, the amount of \$20,000 will be added to the loan balance and will become part of the three year term loan bearing interest at 5.00%

12. Significant event

On March 11, 2020, the World Health Organization declared the outbreak of coronavirus (COVID-19) a pandemic. As a result, economic uncertainties have arisen which may negatively impact excess (deficiency) of revenue over expenses. At the current time, the Organization is unable to quantify the related financial impact and duration on its future financial statements.

13. Comparative figures

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year.
