

**Friends of the Central Experimental Farm**  
**Financial Statements**  
December 31, 2022

## Independent Auditor's Report

To the members of  
Friends of the Central Experimental Farm

### Qualified Opinion

I have audited the financial statements of Friends of the Central Experimental Farm, which comprise the statement of financial position as at December 31, 2022,, and the statements of changes in net assets, operations 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 section of our report, 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 its cash flows for the year then ended in accordance with ASNPO.

### 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, 2021 was modified accordingly because of the possible effects of this limitation in scope.

Friends of the Central Experimental Farm holds deferred contributions related to their Shelter belt project which was first established in 2008. My audit opinion is modified for the possible effects of the scope limitation on the completeness of opening deferred revenues related to the Shelter belt project which is not susceptible to me obtaining evidence I considered necessary for the purpose of the audit. As a result, I was not able to determine whether any adjustments might be necessary to donation revenue, excess of revenue over expenses, and components of cash flows from operations for the years ended December 31, 2022 and 2021, assets as at December 31, 2022 and 2021, and net assets as at January 1 and December 31 for both 2022 and 2021 years.

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.

### Other Matter

The financial statements of the organization for the year ended December 31, 2021 were reviewed by another auditor who expressed a qualified opinion on those financial statements on May 4, 2022.

## 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.
- ◆ 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.

*Numeris CPA*

## **Independent Auditor's Report, continued**

Ottawa, ON  
April 19, 2023

**Numeris CPA Professional Corporation**  
Chartered Professional Accountant  
Licensed Public Accountant

**Friends of the Central Experimental Farm  
Statement of Financial Position  
As at December 31, 2022**

	2022	2021
<b>Assets</b>		
<b>Current</b>		
Cash (note 3)	\$ 74,970	\$ 120,926
Short term investment (note 4)	172,005	186,093
Accounts receivable	6,569	3,868
Inventory (note 5)	45,120	48,635
Prepaid expenses	<u>4,022</u>	<u>3,847</u>
	302,686	363,369
<b>Capital assets (note 6)</b>	<u>1,070</u>	<u>1,529</u>
	<u><b>\$ 303,756</b></u>	<u><b>\$ 364,898</b></u>

<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 7,704	\$ 9,253
Deferred membership revenue (note 7)	8,445	7,391
Income taxes payable	-	3
Deferred contributions (note 8)	<u>99,226</u>	<u>116,316</u>
	<u>115,375</u>	<u>132,963</u>
<b>Fund balances</b>		
Unrestricted	136,834	179,929
Tangible Capital Assets	1,070	1,529
Externally Restricted - Safe Guard the Future Fund	<u>50,477</u>	<u>50,477</u>
	<u>188,381</u>	<u>231,935</u>
	<u><b>\$ 303,756</b></u>	<u><b>\$ 364,898</b></u>

On behalf of the Board

\_\_\_\_\_ Member

\_\_\_\_\_ Member

**Friends of the Central Experimental Farm  
Statement of Changes in Net Assets  
Year ended December 31, 2022**

	<u>Unrestricted</u>	<u>Internally Restricted Tangible Capital Assets</u>	<u>Externally Restricted Safe Guard the Future Fund</u>	<u>Total 2022</u>	<u>Total 2021</u>
<b>Balance, beginning of year</b>	\$ 179,929	\$ 1,529	\$ 50,477	\$ 231,935	\$ 209,364
(Deficiency) excess of revenues over expenditures	<u>(43,095)</u>	<u>(459)</u>	<u>-</u>	<u>(43,554)</u>	<u>22,571</u>
<b>Balance, end of year</b>	<u>\$ 136,834</u>	<u>\$ 1,070</u>	<u>\$ 50,477</u>	<u>\$ 188,381</u>	<u>\$ 231,935</u>

**Friends of the Central Experimental Farm  
Statement of Operations  
Year ended December 31, 2022**

	2022	2021
<b>Revenues</b>		
Donations	\$ 35,019	\$ 50,374
Fundraising activities	23,772	20,759
Memberships	9,447	9,093
Interest and investment income	5,751	4,948
	73,989	85,174
<b>Expenditures</b>		
Program Activities	44,436	27,871
Salaries and related benefits	19,264	15,294
Office	14,797	14,470
Fundraising activities	8,778	8,245
Professional fees	6,237	6,100
Insurance	3,821	3,787
Amortization	459	77
Interest and bank charges	158	49
	97,950	75,893
<b>(Deficiency) excess of revenues over expenditures before other item</b>	(23,961)	9,281
<b>Other expense (income)</b>		
Loss (gain) on sale of marketable securities	19,593	(13,290)
<b>(Deficiency) excess of revenues over expenditures</b>	\$ (43,554)	\$ 22,571

**Friends of the Central Experimental Farm**  
**Statement of Cash Flows**  
**Year ended December 31, 2022**

	<u>2022</u>	<u>2021</u>
<b>Operating activities</b>		
(Deficiency) excess of revenues over expenditures	\$ (43,554)	\$ 22,571
Adjustments for		
Amortization	459	77
Loss (gain) on sale of marketable securities	<u>19,593</u>	<u>(13,290)</u>
	(23,502)	9,358
Change in non-cash working capital items		
Short term investment	14,088	(30,621)
Marketable securities	(19,593)	13,290
Accounts receivable	(2,701)	(676)
Inventory	3,515	(18,699)
Prepaid expenses	(175)	68
Accounts payable and accrued liabilities	(1,549)	859
Deferred membership revenue	1,054	2,152
Income taxes payable	(3)	3
Deferred contributions	<u>(17,090)</u>	<u>33,833</u>
	(45,956)	9,567
<b>Investing activity</b>		
Purchase of capital assets	<u>-</u>	<u>(1,350)</u>
<b>Net (decrease) increase in cash</b>	(45,956)	8,217
<b>Cash, beginning of year</b>	<u>120,926</u>	<u>112,709</u>
<b>Cash, end of year</b>	<u>\$ 74,970</u>	<u>\$ 120,926</u>

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**Friends of the Central Experimental Farm  
Notes to the Financial Statements  
December 31, 2022**

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**1. Nature of operations**

Friends of the Central Experimental Farm (FCEF) (the "Organization") is a registered charity under Section 149 of the Canada Income Tax Act whose primary purpose is to raise funds to preserve, protect, maintain and enhance the Dominion Arboretum, the Ornamental Gardens and other public areas of the Farm, in partnership with Agriculture and Agri-Food Canada, for the educational benefit and enjoyment of the public; and promote the Farm's historical significance.

FCEF was incorporated under the laws of Canada on April 8, 1988 and continued under the Canada not-for-profit corporations act on September 24, 2014.

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**2. Significant accounting policies**

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

**(a) Use of estimates**

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 amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

**(b) Financial instruments**

Measurement of financial instruments

Financial instruments are financial assets or liabilities of the Organization where, in general, the Organization has the right to receive cash or another financial asset from another party or the Organization has the obligation to pay another party cash or other financial assets.

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

Financial assets and financial liabilities measured at amortized cost include cash, accounts receivable, and accounts payable and accrued liabilities.

The Organization measures its short-term investments at fair value.

Impairment

Financial assets measured at amortized cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in operations. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in operations as a recovery.

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**Friends of the Central Experimental Farm  
Notes to the Financial Statements  
December 31, 2022**

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**2. Significant accounting policies, continued**

**(b) Financial instruments, continued**

Transaction costs

The Organization recognizes its transaction costs in operations in the period incurred. However, the financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

**(c) Inventory**

Inventory consists of books. Inventory is carried at the lower of cost and net realizable value on a specific item basis.

**(d) Capital assets**

Capital assets are recorded at cost. The organization provides for amortization using the straight-line method at rates designed to amortize the cost of the capital assets over their estimated useful lives. The annual amortization rates are as follows:

Computer equipment	30%
Garden tools and equipment	30%

Capital asset purchases of less than \$500 are expensed.

As per Section 4431 of the CPA Handbook, Benches purchased for the Bench Project were expensed in the year of installation. This has been done in accordance with Section 4431 of the CPA Handbook, which allows a Not-for-Profit organization with less \$500,000 in average revenues in current (2022) and preceding years, to not require capitalization.

One-half the normal rate of amortization is recorded in the year of acquisition.

**(e) Revenue recognition**

The Organization follows the deferral method of accounting for contributions. Restricted contributions, such as those received to directly support the shelter belt project, are recognized as revenue in the year in which the related expenses are incurred or accrued. 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. Restricted endowments are recognized as direct increases in fund balances.

Membership fees are recognized as revenue over the period in which they relate, with the exception of lifetime memberships which are recognized as revenue in the year in which the fees are received. Other types of revenue are recognized when the goods and/or services are rendered and/or the related expenses are incurred, as applicable.

**(f) Safe Guard the Future Fund**

The Safe Guard the Future Fund was established in 2000 when the FCEF received a \$50,144 donation, to be held in trust, with the income generated by this donation, to be used to fund projects and activities in furthering the mission of the FCEF. Initial donation received is externally restricted for trust fund purposes. All income generated from the initial donation are unrestricted.

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**Friends of the Central Experimental Farm  
Notes to the Financial Statements  
December 31, 2022**

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**2. Significant accounting policies, continued**

**(g) Foreign currency translation**

Transactions during the year in a foreign currency have been converted to Canadian dollars at the exchange rate effective on the transaction date. All monetary assets and liabilities in foreign currency have been converted to Canadian dollars at the exchange rates in effect at the respective year end. Gains or losses resulting therefrom are included in the determination of the excess (deficiency) of revenue over expenses for the year.

**(h) Cash and cash equivalents**

The Organization's policy is to disclose bank balances under cash and cash equivalents, including bank overdrafts with balances that fluctuate frequently from being positive to overdrawn. Short-term investments, including temporary cash positions and other highly-liquid investments, are excluded from cash and cash equivalents as they are not intended to be used to fund short-term operating commitments.

**(i) Donated material and services**

Goods and services that have been donated to the Organization are recorded in the financial statements at their fair market value, when fair market value can be reasonably estimated and when the assets and services would have been paid for if not donated. The activities of the Organization are dependent upon the voluntary services of many members. In addition, the Organization receives services in kind from Agriculture and Agri-Food Canada. Since these services are not normally purchased by the Organization and because of the difficulty of determining fair value, these services are not recognized in the these financial statements.

**(j) Allocated expenses**

Expenses presented in the Organization's Statement of Operations and Changes in Fund Balances represent total amounts incurred for the fiscal year and have not been allocated among functional expense categories.

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**3. Cash**

Substantially all of the Organization's cash is held at one Canadian chartered bank. The bank account earns nominal interest.

The Organization also has available credit cards with an aggregate maximum limit of \$2,000 (2021 - \$2,000). At December 31, 2022, the credit cards had an aggregate balance of \$209 (2021 - nil).

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**Friends of the Central Experimental Farm**  
**Notes to the Financial Statements**  
**December 31, 2022**

**4. Short term investment**

	2022	2021
RBC Dominion Securities Inc. - cash account	\$ 8,380	\$ 3,475
RBC Dominion Securities Inc. - common shares	163,625	182,618
	\$ 172,005	\$ 186,093

Included in short-term investments is \$50,477 (2021 - \$50,477) which is externally restricted as Safe Guard the Future fund with the remaining amount of \$121,528 (2021 - \$135,616) being unrestricted.

The short-term investments also includes \$nil Canadian (2021 - \$nil Canadian) denominated in U.S. dollars which have been translated to Canadian dollars in these financial statements.

The following table shows the allocation of investment income (loss) based on the various restricted and unrestricted investments as noted above.

	2022	2021
Safeguard the Future Fund	\$ (4,153)	\$ 5,399
Unrestricted	(9,935)	12,542
	\$ (14,088)	\$ 17,941

**5. Inventory**

	2022	2021
Book inventory, opening balance	\$ 48,635	\$ 29,936
Less: Cost of books sold in the year	(3,515)	(4,922)
Add: Cost of additions to inventory in the year	-	23,621
Book inventory, closing balance	\$ 45,120	\$ 48,635

**6. Capital assets**

	2022			2021	
	Rate	Cost	Accumulated amortization	Net	Net
Computer equipment	\$	3,273	\$ 2,225	\$ 1,048	\$ 1,497
Garden tools and equipment		8,322	8,300	22	32
	\$	11,595	\$ 10,525	\$ 1,070	\$ 1,529

**Friends of the Central Experimental Farm  
Notes to the Financial Statements  
December 31, 2022**

**7. Deferred membership revenue**

				<u>2022</u>
<u>Balance, beginning of year</u>	<u>Received</u>	<u>Recognized</u>	<u>Balance, end of year</u>	
\$ 7,391	\$ 6,904	\$ (5,850)	\$ 8,445	
				<u>2021</u>
<u>Balance, beginning of year</u>	<u>Received</u>	<u>Recognized</u>	<u>Balance, end of year</u>	
\$ 5,239	\$ 11,245	\$ (9,093)	\$ 7,391	

**8. Deferred contributions**

Deferred contributions represent unused resources which, as a result of external restrictions, are to fund the related expenses to be occurring in a subsequent fiscal year.

Deferred contributions consist of amounts to support the following projects and programs:

	<u>2022</u>	<u>2021</u>
Shelter Belt Projects	\$ 2,212	\$ 6,509
Perennial Collection of the Ornamental Gardens	107	754
Bench Programs	<u>96,907</u>	<u>109,053</u>
	<u>\$ 99,226</u>	<u>\$ 116,316</u>

The continuity of deferred contributions for the these projects and programs are as follows:

Shelter Belt Projects

	<u>2022</u>	<u>2021</u>
Balance, beginning of year	\$ 6,509	\$ 5,560
Received during the year	350	1,000
Recognized as revenue for the year	<u>(4,646)</u>	<u>(51)</u>
	<u>\$ 2,213</u>	<u>\$ 6,509</u>

Perennial Collection of the Ornamental Gardens

**Friends of the Central Experimental Farm**  
**Notes to the Financial Statements**  
**December 31, 2022**

**8. Deferred contributions, continued**

	2022	2021
Balance, beginning of year	\$ 754	\$ 1,359
Recognized as revenue for the year	(647)	(605)
	\$ 107	\$ 754

Bench Program

	2022	2021
Balance, beginning of year	\$ 109,053	\$ 75,564
Received during the year	-	41,976
Recognized as revenue for the year	(12,146)	(8,487)
	\$ 96,907	\$ 109,053

**9. Safe Guard the Future Fund**

During the 2019 fiscal year, as permitted by the restrictions on the original donation of capital for this fund, the Board of Directors approved a transfer of the aggregate investment income earned on the capital since its inception from externally restricted net assets to unrestricted net assets to fund the projects and activities of the organization. The Board of Directors approved the transfer of income earned on the capital in 2022, 2021 and 2020, from externally restricted net assets to unrestricted net assets to fund the projects and activities of the Organization.

The composition of the Organization's Safe Guard the Future Fund is as follows:

	2022	2021
Fund capital	\$ 50,477	\$ 50,477
Income available for programs	-	-
	\$ 50,477	\$ 50,477

**10. Comparative amounts**

The financial statements for the year ended December 31, 2021 were reported on by another firm of Chartered Professional Accountants who issued an qualified opinion in their Independent Auditor's Report dated May 4, 2022.

Certain comparative amounts have been reclassified to conform to the current year's financial statement presentation.