

Muskoka Conservancy
Financial Statements
For the year ended December 31, 2017

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Independent Auditor's Report

To the Board of Directors of Muskoka Conservancy

We have audited the accompanying financial statements of Muskoka Conservancy which comprise the statement of financial position as at December 31, 2017, and the statement of operations, statement of changes in net assets and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

In common with many not-for-profit organizations, Muskoka Conservancy derives revenue from donations and fundraising activities, 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 Muskoka Conservancy. Therefore, we were not able to determine whether any adjustments might be necessary to donations and fundraising revenue, excess of revenues over expenses, and cash flows from operations for the years ended December 31, 2017 and December 30, 2016, current assets as at December 31, 2017 and December 30, 2016, and net assets as at January 1 and December 31 for both the 2017 and 2016 years. Our audit opinion on the statements for the year ended December 31, 2017 was modified accordingly because of the possible effects of this limitation in scope.

Qualified Opinion

In our 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 Muskoka Conservancy as at December 31, 2017 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Bracebridge, Ontario
May 8, 2018

**Muskoka Conservancy
Statement of Financial Position**

December 31	2017	2016
Assets		
Current		
Cash	\$ 72,776	\$ 121,890
Short-term investments	333,438	299,648
Accounts receivable	6,365	11,151
Inventory	9,022	10,204
Prepaid expenses	24,626	5,859
	<u>446,227</u>	<u>448,752</u>
Restricted cash and investments (Note 2)	1,521,253	902,012
Capital assets (Note 3)	1,645	2,466
Nature reserves (Note 4)	8,220,791	8,201,137
Conservation easements (Note 5)	5,963,150	5,963,150
	<u>\$ 16,153,066</u>	<u>\$ 15,517,517</u>

Liabilities

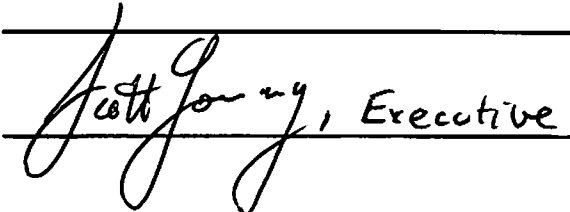
Current

Accounts payable and accrued liabilities (Note 6)	\$ 30,605	\$ 32,042
Deferred contributions (Notes 2 & 7)	1,516,253	897,012
	<u>1,546,858</u>	<u>929,054</u>
Deferred contributions related to capital assets (Note 8)	454	721
	<u>1,547,312</u>	<u>929,775</u>

Net assets

Invested in nature reserves and easements	14,183,941	14,164,287
Internally restricted net assets - legacy fund (Note 9)	156,587	156,587
Restricted for endowment purposes (Note 2)	5,000	5,000
Unrestricted	260,226	261,868
	<u>14,605,754</u>	<u>14,587,742</u>
	<u>\$ 16,153,066</u>	<u>\$ 15,517,517</u>

On behalf of the Board:

 Director
 Scott Young, Executive Director

Muskoka Conservancy Statement of Changes in Net Assets

For the year ended December 31	Internally Restricted 2017	Unrestricted 2017	Restricted for Endowment 2017	Nature Reserves and Easements 2017	Total 2017	Total 2016
Balance, beginning of year	\$ 156,587	\$ 261,868	\$ 5,000	\$ 14,164,287	\$ 14,587,741	\$ 14,297,956
Excess of revenue over expenses for the year	-	(1,642)	-	-	(1,642)	289,785
Contributed land (Note 11)	-	-	-	15,000	15,000	-
Land purchased with restricted contributions (Note 7)	-	-	-	4,654	4,654	-
Balance, end of year	\$ 156,587	\$ 260,226	\$ 5,000	\$ 14,183,941	\$ 14,605,753	\$ 14,587,741

The accompanying notes are an integral part of these financial statements

Muskoka Conservancy Statement of Operations

For the year ended December 31	2017	2016
Revenue		
Donations	\$ 697,539	\$ 409,453
Donations - in kind (Note 11)	9,168	46,995
Fundraising	13,000	124,550
Grants (Note 12)	19,250	9,860
Investment income	34,254	21,898
Gain (loss) on disposal of investments (Note 7)	21,035	(902)
Unrealized gain (loss) on investments (Note 7)	(5,578)	47,180
Memberships	41,143	39,673
Sale of products	28,903	23,297
Other	(584)	100
	858,130	722,104
Less contributions deferred (Note 7)	(664,054)	(207,630)
Deferred contributions recognized (Note 7)	40,159	63,799
Amortization of deferred contributions (Note 8)	267	463
	234,502	578,736
Expenses		
Advertising	8,306	6,681
Amortization of capital assets	821	1,301
Bank charges and interest	4,446	5,457
Cost of goods sold	19,307	13,074
Dues, fees and licenses	3,760	2,510
Fundraising costs	19,543	74,840
Insurance	4,549	4,375
MLA water quality expenses	11,871	14,042
Office and general	21,593	9,003
Professional fees	29,425	35,772
Property taxes (recovery)	2,643	(190)
Rent	6,371	13,004
Telephone	383	1,837
Travel	858	1,035
Wages and benefits	102,268	106,210
	236,144	288,951
Excess (deficiency) of revenues over expenses for the year	\$ (1,642)	\$ 289,785

The accompanying notes are an integral part of these financial statements

Muskoka Conservancy
Statement of Cash Flows

For the year ended December 31	2017	2016
Cash provided by (used in)		
Operating activities		
Excess (deficiency) of revenues over expenses for the year	\$ (1,642)	\$ 289,785
Adjustments for		
Amortization of capital assets	821	1,301
Amortization of deferred contributions related to capital assets	(267)	(463)
	<u>(1,088)</u>	290,623
Changes in non-cash working capital balances		
Short-term investments	(33,790)	(207,599)
Accounts receivable	4,786	526
Inventory	1,182	2,226
Prepaid expenses	(18,767)	935
Accounts payable and accrued liabilities	(1,437)	(34,270)
	<u>(49,114)</u>	52,441
Increase (decrease) in cash during the year	(49,114)	52,441
Cash, beginning of year	121,890	69,449
Cash, end of year	\$ 72,776	\$ 121,890

Muskoka Conservancy

Notes to Financial Statements

December 31, 2017

1. Summary of Significant Accounting Policies

i) Nature and Purpose of Organization

Muskoka Conservancy ("organization") is incorporated without share capital under the laws of Canada. The organization shall be carried on without the purpose of gain for its members and any profits or accretions to the organization shall be used in promoting its objects.

The organization operates programs and performs research towards protection, preservation, and enhancement of Muskoka and adjacent areas for recreational use and enjoyment as a part of the natural heritage of Canada.

The organization is a registered charity and, as such, is exempt from income tax and may issue income tax receipts to donors.

ii) Basis of Accounting

These financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

iii) Revenue Recognition

The organization follows the deferral method of accounting for contributions.

Restricted contributions are recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue of the appropriate fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Endowment contributions are recognized as direct increases in net assets.

Restricted net investment income is recognized as revenue in the year in which the related expenses are incurred. Restricted net investment income that must be added to the principal amount of resources held for endowment is recognized as a direct increase in net assets. Unrestricted net investment income is recognized as revenue when earned.

Revenues from products sold are recognized when delivered to the customers.

iv) Inventory

Inventory is valued at the lower of cost and net realizable value. Cost is generally determined on a first-in, first-out basis.

v) Capital Assets

Capital assets are stated at cost less accumulated amortization. Contributed tangible capital assets are recorded at fair value at the date of contribution and are amortized, unless fair value is not determinable in which case contributed tangible capital assets are recorded at nominal value at the date of contribution.

Amortization based on the estimated useful life of the asset is calculated as follows:

Computers and equipment	- 30 - 45%	declining balance basis
Equipment	- 30%	declining balance basis
Furniture and fixtures	- 20%	declining balance basis

Muskoka Conservancy Notes to Financial Statements

December 31, 2017

1. Summary of Significant Accounting Policies (continued)

vi) Contributed Materials and Services

Volunteers contribute many hours per year to assist the organization in carrying out its activities. Due to the difficulty of determining their fair value, these contributed services are not recognized in the financial statements.

Contributed materials and services which are used in the normal course of the organization's operations and would otherwise have been purchased are recorded at their fair value at the date of contribution if fair value can be reasonably estimated.

vii) Financial Instruments

Financial Instruments are recorded at fair value at initial recognition.

In subsequent periods, equities traded in an active market are reported at fair value, with any change in fair value reported in income. All other financial instruments are reported at cost or amortized cost less impairment. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items measured at fair value and charged to the financial instrument for those measured at amortized cost.

Financial assets are tested for impairment when indicators of impairment exist.

2. Restricted Cash and Investments

	<u>2017</u>	<u>2016</u>
Cash	\$ 10,376	\$ 10,391
Fixed income investments - maturing 2019 - 2032, with interest ranging from 1.35% to 6.93%	263,793	251,378
Portfolio shares	314,596	308,605
Mutual funds	66,962	72,653
Foreign securities	25,432	28,324
Cash and investment savings	<u>835,094</u>	<u>225,661</u>
Restricted cash and investments - general (Note 7)	1,516,253	897,012
Restricted investment - endowment	<u>5,000</u>	<u>5,000</u>
	<u>\$ 1,521,253</u>	<u>\$ 902,012</u>

The organization is exposed to interest rate risk on its fixed and floating interest rate financial instruments. The fair value of fixed rate instruments will fluctuate as market rates change.

The organization is exposed to market risk through its long-term investments which are held in portfolio shares and mutual fund markets.

The organization is exposed to credit risk arising from bank and investment accounts being held at one financial institution and deposits are only insured up to \$100,000.

Muskoka Conservancy
Notes to Financial Statements

December 31, 2017

3. Capital Assets

	2017		2016	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Computers and equipment	\$ 35,976	\$ 31,152	\$ 35,976	\$ 30,460
Equipment	7,501	10,854	7,501	10,768
Furniture and fixtures	918	744	918	701
	\$ 44,395	\$ 42,750	\$ 44,395	\$ 41,929
Net book value		\$ 1,645		\$ 2,466

4. Nature Reserves

	2017	2016
Browning Island, Town of Bracebridge	\$ 1,219,033	\$ 1,219,033
Catherine Brook, Town of Huntsville	85,000	85,000
Campbell-Mason, Township of Muskoka Lakes	3,016,533	3,016,533
Dyer Memorial, Town of Huntsville	264,555	264,555
Eileen Gowan Island, Town of Bracebridge	254,740	254,740
Grand Family Memorial, Townships of Muskoka Lakes	186,276	186,276
Bert Cross Family Nature Reserve, Town of Bracebridge	19,654	-
Indigo Marsh, Town of Huntsville	44,000	44,000
Island K, Township of Muskoka Lakes	2,025,104	2,025,104
Kahshe Sanctuary, Town of Gravenhurst	1,143	1,143
Kitty's Wish, Town of Huntsville	27,189	27,189
Loon Lake, Town of Gravenhurst	80,941	80,941
McLeans Bay, Town of Gravenhurst	188,500	188,500
Muskoka Delta, Town of Bracebridge	40,000	40,000
Musquash Road, Township of Muskoka Lakes	60,765	60,765
Nelson Head, Town of Huntsville	85,335	85,335
Pileated Ridge, Town of Huntsville	53,082	53,082
Pen Lake Farms, Township of Lake of Bays	211,303	211,303
Portage Lake, Township of Sequin	17,918	17,918
Robinson Lake, Town of Huntsville	39,744	39,744
Upjohn, Town of Bracebridge	127,113	127,113
Aufhaben, Parry Sound District	172,863	172,863
	\$ 8,220,791	\$ 8,201,137

During the year, land was received by donation and appraised at \$15,000 (2016 - \$NIL).

**Muskoka Conservancy
Notes to Financial Statements**

December 31, 2017

5. Conservation Easements

	<u>2017</u>	<u>2016</u>
Barisic, Town of Huntsville	\$ 1,092	\$ 1,092
Braaten, Township of Muskoka Lakes	1,028,500	1,028,500
Campbell-Mason, Township of Muskoka Lakes	606,952	606,952
Goering, Township of Lake of Bays	250,000	250,000
Island K, Township of Muskoka Lakes	1	1
Longline Lake, Township of Lake of Bays	3,000	3,000
Strawberry Mountain, Township of Lake of Bays	624,182	624,182
Turner Island, Township of Muskoka Lakes	2,006,315	2,006,315
Wolf Mountain, Township of Lake of Bays	693,500	693,500
Yoho Island, Township of Muskoka Lakes	575,000	575,000
Darker, Severn Township	1	1
Upjohn, Town of Bracebridge	6,396	6,396
Lischkoff, Township of Lake of Bays	168,211	168,211
	<u>\$ 5,963,150</u>	<u>\$ 5,963,150</u>

6. Accounts Payable and Accrued Liabilities

Included in accounts payable and accrued liabilities is \$680 (2016 - \$3,110) in government remittances payable.

Muskoka Conservancy Notes to Financial Statements

December 31, 2017

7. Deferred Restricted Contributions

Deferred land maintenance and defence contributions represent externally restricted donations, grants and investment income received which have not been spent for the restricted purpose. The amount of revenue recognized during the year is based on expenses incurred to monitor and support stewardship activities of the nature reserves and conservation easements.

Deferred property acquisition contributions represent externally restricted grants and donations received which have not yet been spent for the restricted purpose. The amount of revenue recognized during the year is based on expenses incurred and associated with land acquisition.

Deferred general and grant contributions represent externally restricted donations and grants received which have not yet been spent for the restricted purpose. The amount of revenue recognized during the year is based on direct and indirect expenses incurred to administer specific projects.

Deferred Dyer Memorial funds were received as part of the transfer of the lands known as the Dyer Memorial. The funds are to be used for the maintenance and benefit of the monument and memorial site designated as Part 1 on Plan 35R-22980 and are held in a separate account.

The changes in deferred restricted contributions for the year are as follows:

	Land Maintenance and Defence	Property Acquisition	General and Grants	Dyer Memorial	Total 2017	Total 2016
Balance, beginning of year	\$ 39,604	\$ 172,015	\$ 25,917	\$ 659,476	\$ 897,012	\$ 753,181
Contributions received	-	609,700	18,726	-	628,426	142,908
Investment income earned	-	-	-	20,171	20,171	18,444
Realized gains (losses)	-	-	-	21,035	21,035	(902)
Unrealized gains (losses)	-	-	-	(5,578)	(5,578)	47,180
Contributions deferred	-	609,700	18,726	35,628	664,054	207,630
Recognized as revenue	(185)	(243)	(14,812)	(24,919)	(40,159)	(63,799)
Invested in nature reserves and easements	-	(4,654)	-	-	(4,654)	-
Contributions recognized	(185)	(4,897)	(14,812)	(24,919)	(44,813)	(63,799)
Balance, end of year	\$ 39,419	\$ 776,818	\$ 29,831	\$ 670,185	\$1,516,253	\$ 897,012

Muskoka Conservancy
Notes to Financial Statements

December 31, 2017

7. Deferred Restricted Contributions (continued)

A further breakdown of certain deferred restricted contributions is as follows:

	2017	2016
Land maintenance and defence		
Maintenance and defence, general	\$ 13,307	\$ 13,307
Island K monitoring	13,080	13,080
McVittie monitoring	10,463	10,648
Cliffs Island monitoring	1,000	1,000
Tough technical fund	569	569
Legal defence fund	1,000	1,000
Total maintenance and defence	39,419	39,604
Property acquisition	776,818	172,017
General and grants		
Esson bursary	863	913
Private Landowner Stewardship (PSMSN)	21,850	21,927
MNR fist habitat	442	442
MLA water quality	6,116	2,061
Little Sprouts	560	572
Total general and grants	29,831	25,915
Dyer Memorial fund	670,185	659,476
Total	\$ 1,516,253	\$ 897,012

8. Deferred Contributions Related to Capital Assets

Deferred contributions represent the unamortized portion of capital assets purchased using operating grants received from the Harbinger Grant, Service Canada and the Ontario Trillium Foundation. The changes for the year in the deferred contributions balance are as follows:

	2017	2016
Balance, beginning of year	\$ 721	\$ 1,184
Amortization of deferred contributions	(267)	(463)
Balance, end of year	\$ 454	\$ 721

Muskoka Conservancy
Notes to Financial Statements

December 31, 2017

9. Internally Restricted Net Assets

The internally restricted net assets are comprised of funds known as the legacy fund. This fund represents internally restricted donations and related investment revenues which have not yet been spent. These funds are to be used to support the ongoing operational budget for the purpose of maintaining the organization's ability to continue as a going concern with less reliance on external funding.

10. Commitments

The company has leased premises and equipment for which the minimum annual lease payments over the next two years are approximately as follows:

Year	Amount
2018	\$ 1,850
2019	925

11. Contributed Materials and Services

During the year materials consisting of items for resale and silent auction items were contributed to the organization. Management has determined the fair value of these contributed materials to be \$24,168. These amounts have been recorded as revenue and expenses in these financial statements.

Contributed services are not recognized in the financial statements because of the difficulty in determining their fair value.

	2017	2016
Items for resale	\$ 2,568	\$ 798
Items for auction	6,600	46,197
Nature reserves	15,000	-
	\$ 24,168	\$ 46,995

12. Grants

Sources of grant revenue recognized as revenue in the year are as follows:

	2017	2016
Municipal	\$ 2,750	\$ 1,860
Private	16,500	8,000
	\$ 19,250	\$ 9,860
