

Muskoka Conservancy
Financial Statements
For the year ended December 31, 2018

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Independent Auditor's Report

To the Board of Directors of Muskoka Conservancy

Qualified Opinion

We have audited the accompanying financial statements of Muskoka Conservancy (the Organization) which comprise the statement of financial position as at December 31, 2018, 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.

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 Organization as at December 31, 2018, 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, 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, 2018 and December 31, 2017, current assets as at December 31, 2018 and December 31, 2017, and net assets as at January 1 and December 31 for both the 2018 and 2017 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.

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 Entity 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 qualified audit 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.

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 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, we exercise professional judgment 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 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.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants
Bracebridge, Ontario
June 28, 2019

Muskoka Conservancy
Statement of Financial Position

December 31	2018	2017
Assets		
Current		
Cash	\$ 169,795	\$ 72,776
Short-term investments	319,849	333,438
Accounts receivable	9,080	6,365
Inventory	10,831	9,022
Prepaid expenses	-	24,626
	509,555	446,227
Restricted cash and investments (Note 2)	997,400	1,521,253
Tangible capital assets (Note 3)	1,116	1,645
Nature reserves (Note 4)	8,354,320	8,220,791
Conservation easements (Note 5)	6,539,757	5,963,150
	\$ 16,402,148	\$ 16,153,066
Liabilities		
Current		
Accounts payable and accrued liabilities (Note 6)	\$ 18,793	\$ 30,606
Deferred contributions (Notes 2 & 7)	992,400	1,516,253
	1,011,193	1,546,859
Deferred contributions related to capital assets (Note 8)	295	454
	1,011,488	1,547,313
Net assets		
Invested in nature reserves and easements	14,894,077	14,183,941
Internally restricted net assets - legacy fund (Note 9)	156,587	156,587
Restricted for endowment purposes (Note 2)	5,000	5,000
Unrestricted	334,996	260,225
	15,390,660	14,605,753
	\$ 16,402,148	\$ 16,153,066

On behalf of the Board:

_____ Director

_____ Director

Muskoka Conservancy Statement of Changes in Net Assets

For the year ended December 31	Internally Restricted 2018	Unrestricted 2018	Restricted for Endowment 2018	Nature Reserves and Easements 2018	Total 2018	Total 2017
Balance, beginning of year	\$ 156,587	\$ 260,225	\$ 5,000	\$ 14,183,941	\$ 14,605,753	\$ 14,587,741
Excess of revenue over expenses for the year	-	74,771	-	-	74,771	(1,642)
Contributed land (Note 10)	-	-	-	63,000	63,000	15,000
Land purchased with restricted contributions (Note 7)	-	-	-	647,136	647,136	4,654
Balance, end of year	\$ 156,587	\$ 334,996	\$ 5,000	\$ 14,894,077	\$ 15,390,660	\$ 14,605,753

The accompanying notes are an integral part of these financial statements

Muskoka Conservancy Statement of Operations

For the year ended December 31	2018	2017
Revenue		
Donations	\$ 311,875	\$ 697,539
Donations - in kind (Note 10)	9,494	9,168
Fundraising	82,240	13,000
Grants (Note 11)	24,248	19,250
Investment income	32,711	34,254
Gain (loss) on disposal of investments (Note 7)	(4)	21,035
Unrealized loss on investments (Note 7)	(42,592)	(5,578)
Memberships	40,468	41,143
Sale of products	28,011	28,903
Other	-	(584)
	486,451	858,130
Less contributions deferred (Note 7)	(151,406)	(664,054)
Deferred contributions recognized (Note 7)	29,123	40,159
Amortization of deferred contributions (Note 8)	160	267
	364,328	234,502
Expenses		
Advertising	3,560	8,306
Amortization of tangible capital assets	528	821
Bank charges and interest	7,167	4,446
Cost of goods sold	15,462	19,307
Dues, fees and licenses	3,535	3,760
Fundraising costs	29,638	19,543
Insurance	4,543	4,549
MLA water quality expenses	17,996	11,871
Office and general	18,105	21,096
Professional fees	69,025	29,425
Property taxes	3,152	3,140
Rent	6,291	6,371
Telephone	660	383
Travel	3,208	858
Wages and benefits	106,687	102,268
	289,557	236,144
Excess (deficiency) of revenues over expenses for the year	\$ 74,771	\$ (1,642)

Muskoka Conservancy
Statement of Cash Flows

For the year ended December 31	2018	2017
Cash provided by (used in)		
Operating activities		
Excess (deficiency) of revenues over expenses for the year	\$ 74,771	\$ (1,642)
Adjustments for		
Amortization of capital assets	528	821
Amortization of deferred contributions (Note 8)	(160)	(267)
	<u>75,139</u>	<u>(1,088)</u>
Changes in non-cash working capital balances		
Short-term investments	13,589	(33,790)
Accounts receivable	(2,715)	4,786
Inventory	(1,809)	1,182
Prepaid expenses	24,626	(18,767)
Accounts payable and accrued liabilities	(11,811)	(1,437)
	<u>97,019</u>	<u>(49,114)</u>
Increase (decrease) in cash during the year	97,019	(49,114)
Cash, beginning of year	72,776	121,890
Cash, end of year	\$ 169,795	\$ 72,776

Muskoka Conservancy

Notes to Financial Statements

December 31, 2018

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) Tangible Capital Assets

Tangible 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, 2018

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

	2018	2017
Cash	\$ 10,214	\$ 10,376
Fixed income investments - maturing 2029 - 2078, with interest ranging from 1.8% to 8.825%	273,748	263,793
Portfolio shares	279,236	314,596
Mutual funds	63,219	66,962
Foreign securities	24,311	25,432
Cash and investment savings	341,672	835,094
Restricted cash and investments - general (Note 7)	992,400	1,516,253
Restricted investment - endowment	5,000	5,000
	\$ 997,400	\$ 1,521,253

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, 2018

3. Capital Assets

	2018		2017	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Computers and equipment	\$ 35,976	\$ 31,582	\$ 35,976	\$ 31,152
Equipment	7,501	10,918	7,501	10,854
Furniture and fixtures	918	779	918	744
	\$ 44,395	\$ 43,279	\$ 44,395	\$ 42,750
Net book value		\$ 1,116		\$ 1,645

4. Nature Reserves

	2018	2017
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	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
Stream to Skeleton Lake, Village of Rosseau	70,529	-
Upjohn, Town of Bracebridge	127,113	127,113
Aufhaben, Parry Sound District	172,863	172,863
South Monck Nature Reserve, Town of Bracebridge	63,000	-
	\$ 8,354,320	\$ 8,220,791

During the year, land was received by donation and appraised at \$63,000 (2017 - \$15,000).

Muskoka Conservancy
Notes to Financial Statements

December 31, 2018

5. Conservation Easements

	2018	2017
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
Dahwamah Island, Township of Muskoka Lakes	576,607	-
	\$ 6,539,757	\$ 5,963,150

6. Accounts Payable and Accrued Liabilities

Included in accounts payable and accrued liabilities is \$Nil (2017 - \$680) in government remittances payable.

Muskoka Conservancy Notes to Financial Statements

December 31, 2018

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 2018	Total 2017
Balance, beginning of year	\$ 39,419	\$ 776,818	\$ 29,831	\$ 670,185	\$1,516,253	\$ 897,012
Contributions received	6,640	144,151	22,551	1,124	174,466	628,426
Investment income earned	-	-	-	19,200	19,200	20,171
Realized gains (losses)	-	-	-	1,691	1,691	21,035
Unrealized gains (losses)	-	-	-	(42,951)	(42,951)	(5,578)
Contributions deferred	6,640	144,151	22,551	(20,936)	152,406	664,054
Recognized as revenue	(33)	-	(19,527)	(9,563)	(29,123)	(40,159)
Invested in nature reserves and easements	-	(647,136)	-	-	(647,136)	(4,654)
Contributions recognized	(33)	(647,136)	(19,527)	(9,563)	(676,259)	(44,813)
Balance, end of year	\$ 46,026	\$ 273,833	\$ 32,855	\$ 639,686	\$ 992,400	\$1,516,253

Muskoka Conservancy
Notes to Financial Statements

December 31, 2018

7. Deferred Restricted Contributions (continued)

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

	2018	2017
Land maintenance and defence		
Maintenance and defence, general	\$ 18,914	\$ 13,307
Island K monitoring	13,080	13,080
McVittie monitoring	10,463	10,463
Cliffs Island monitoring	1,000	1,000
Tough technical fund	569	569
Bangor Lodge stewardship	1,000	-
Legal defence fund	1,000	1,000
Total maintenance and defence	46,026	39,419
Property acquisition	273,833	776,818
General and grants		
Esson bursary	1,613	863
Private Landowner Stewardship (PSMSN)	21,849	21,850
MNR fist habitat	442	442
MLA water quality	8,185	6,116
Little Sprouts	765	560
Total general and grants	32,854	29,831
Dyer Memorial fund	639,687	670,185
Total	\$ 992,400	\$ 1,516,253

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:

	2018	2017
Balance, beginning of year	\$ 454	\$ 721
Amortization of deferred contributions	(160)	(267)
Balance, end of year	\$ 294	\$ 454

Muskoka Conservancy Notes to Financial Statements

December 31, 2018

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. Contributed Materials and Services

During the year materials consisting of items for resale were contributed to the organization. Management has determined the fair value of these contributed materials to be \$65,819. 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.

	2018	2017
Items for resale	\$ 2,819	\$ 2,568
Items for auction	-	6,600
Nature reserves	63,000	15,000
	\$ 65,819	\$ 24,168

11. Grants

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

	2018	2017
Municipal	\$ 3,235	\$ 2,750
Private	21,013	16,500
	\$ 24,248	\$ 19,250