

Muskoka Conservancy
Financial Statements
For the year ended December 31, 2019

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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, 2019, 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, 2019, 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, 2019 and December 31, 2018, current assets as at December 31, 2019 and December 31, 2018, and net assets as at January 1 and December 31 for both the 2019 and 2018 years. Our audit opinion on the statements for the year ended December 31, 2018 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.

**Muskoka Conservancy
Statement of Financial Position**

December 31	2019	2018
Assets		
Current		
Cash	\$ 357,079	\$ 169,795
Short-term investments	210,360	319,849
Accounts receivable	7,240	9,080
Inventory	10,194	10,831
	584,873	509,555
Restricted cash and investments (Note 2)	1,225,725	997,401
Tangible capital assets (Note 3)	1,874	1,116
Nature reserves (Note 4)	8,459,340	8,354,320
Conservation easements (Note 5)	6,568,686	6,539,757
	\$ 16,840,498	\$ 16,402,149
Liabilities		
Current		
Accounts payable and accrued liabilities (Note 6)	\$ 16,429	\$ 18,794
Deferred contributions (Notes 2 & 7)	1,220,725	992,401
	1,237,154	1,011,195
Deferred contributions related to capital assets (Note 8)	197	295
	1,237,351	1,011,490
Subsequent Event (Note 10)		
Net assets		
Invested in nature reserves and easements	15,028,026	14,894,076
Internally restricted net assets - legacy fund (Note 9)	223,077	156,587
Restricted for endowment purposes (Note 2)	5,000	5,000
Unrestricted	347,044	334,996
	15,603,147	15,390,659
	\$ 16,840,498	\$ 16,402,149

On behalf of the Board:

Director

Scott Young

EXECUTIVE Director

Muskoka Conservancy Statement of Financial Position

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On behalf of the Board:

_____ Director

_____ Director

Muskoka Conservancy Statement of Changes in Net Assets

For the year ended December 31	Internally Restricted 2019	Unrestricted 2019	Restricted for Endowment 2019	Nature Reserves and Easements 2019	Total 2019	Total 2018
Balance, beginning of year	\$ 156,587	\$ 334,996	\$ 5,000	\$ 14,894,076	\$ 15,390,661	\$ 14,605,753
Excess of revenue over expenses for the year	-	78,538	-	-	78,538	74,772
Contributed land	-	-	-	105,000	105,000	63,000
Land purchased	-	-	-	28,950	28,950	647,136
Internally imposed restriction	66,490	(66,490)	-	-	-	-
Balance, end of year	\$ 223,077	\$ 347,044	\$ 5,000	\$ 15,028,026	\$ 15,603,149	\$ 15,390,661

Muskoka Conservancy Statement of Operations

For the year ended December 31	2019	(Note 11) 2018
Revenue		
Donations	\$ 165,029	\$ 147,658
Donations - in kind (Note 12)	13,502	9,494
Fundraising	25,565	82,240
Grants (Note 13)	21,301	24,248
Investment income	9,123	13,502
Unrealized gain (loss) on investments	35,549	(10,575)
Memberships	36,213	40,468
Sale of products	27,764	28,011
	334,046	335,046
Deferred contributions recognized (Note 7)	20,751	29,123
Amortization of deferred contributions (Note 8)	98	160
	354,895	364,329
Expenses		
Advertising	5,665	3,560
Amortization of tangible capital assets	507	528
Bank charges and interest	4,530	7,167
Cost of goods sold	22,039	15,462
Dues, fees and licenses	4,398	3,535
Fundraising costs	27,711	29,638
Insurance	4,555	4,543
MLA water quality expenses	17,741	17,996
Office and general	26,314	18,105
Professional fees	22,306	69,025
Property taxes	4,781	3,152
Rent	6,236	6,291
Telephone	2,469	660
Travel	4,600	3,208
Wages and benefits	122,505	106,687
	276,357	289,557
Excess of revenues over expenses for the year	\$ 78,538	\$ 74,772

The accompanying notes are an integral part of these financial statements

Muskoka Conservancy Statement of Cash Flows

For the year ended December 31	2019	(Note 11) 2018
Cash provided by (used in)		
Operating activities		
Excess of revenues over expenses for the year	\$ 78,538	\$ 74,772
Adjustments for		
Amortization of capital assets	507	528
Amortization of deferred contributions (Note 8)	(98)	(160)
Unrealized loss (gain) on investments	(35,549)	10,575
	43,398	85,715
Changes in non-cash working capital balances		
Short-term investments	145,038	3,014
Accounts receivable	1,840	(2,715)
Inventory	637	(1,809)
Prepaid expenses	-	24,626
Accounts payable and accrued liabilities	(2,363)	(11,812)
	187,284	97,019
Investing activities		
Purchase of capital assets	(1,266)	-
	187,284	97,019
Increase in cash during the year	187,284	97,019
Cash, beginning of year	169,795	72,776
	357,079	169,795
Cash, end of year	\$ 357,079	\$ 169,795

Muskoka Conservancy

Notes to Financial Statements

December 31, 2019

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, 2019

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

	2019	2018
Cash	\$ 15,227	\$ 10,214
Fixed income investments - maturing 2029 - 2078, with interest ranging from 1.8% to 8.825%	278,067	273,748
Portfolio shares	304,167	279,236
Mutual funds	68,107	63,219
Foreign securities	21,069	24,311
Cash and investment savings	534,088	341,672
Restricted cash and investments - general (Note 7)	1,220,725	992,400
Restricted investment - endowment	5,000	5,000
	\$ 1,225,725	\$ 997,400

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, 2019

3. Capital Assets

	2019		2018	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Computers and equipment	\$ 36,631	\$ 31,952	\$ 35,976	\$ 31,582
Equipment	7,501	11,034	7,501	10,918
Furniture and fixtures	1,529	801	918	779
	\$ 45,661	\$ 43,787	\$ 44,395	\$ 43,279
Net book value		\$ 1,874		\$ 1,116

4. Nature Reserves

	2019	2018
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	264,575	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	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	63,000
Bert and Millie's Marsh	105,000	-
	\$ 8,459,340	\$ 8,354,320

During the year, land was received by donation and appraised at \$Nil (2018 - \$63,000).

**Muskoka Conservancy
Notes to Financial Statements**

December 31, 2019

5. Conservation Easements

	2019	2018
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	605,536	576,607
	\$ 6,568,686	\$ 6,539,757

6. Accounts Payable and Accrued Liabilities

Included in accounts payable and accrued liabilities is \$1,816 (2018 - \$1,793) in government remittances payable.

Muskoka Conservancy Notes to Financial Statements

December 31, 2019

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 2019	Total 2018
Balance, beginning of year	\$ 46,026	\$ 273,833	\$ 32,855	\$ 639,686	\$ 992,400	\$ 1,516,253
Contributions received	10,750	62,837	124,000	500	198,087	174,466
Investment income earned	-	-	-	31,461	31,461	20,892
Realized gains (losses)	-	-	-	-	-	-
Unrealized gains (losses)	-	-	-	48,457	48,457	(42,951)
Contributions deferred	10,750	62,837	124,000	80,418	278,005	152,407
Recognized as revenue	-	-	-	(20,751)	(20,751)	(29,123)
Invested in nature reserves and easements	-	(28,929)	-	-	(28,929)	(647,136)
Contributions recognized	-	(28,929)	-	(20,751)	(49,680)	(676,259)
Balance, end of year	\$ 56,776	\$ 307,741	\$ 156,855	\$ 699,353	\$ 1,220,725	\$ 992,401

Muskoka Conservancy Notes to Financial Statements

December 31, 2019

7. Deferred Restricted Contributions (continued)

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

	2019	2018
Land maintenance and defence		
Maintenance and defence, general	\$ 18,914	\$ 18,914
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	11,750	1,000
Legal defence fund	1,000	1,000
	56,776	46,026
Property acquisition	431,741	273,833
General and grants		
Esson bursary	1,613	1,613
Private Landowner Stewardship (PSMSN)	21,849	21,850
MNRF fist habitat	442	442
MLA water quality	8,185	8,185
Little Sprouts	765	765
	32,854	32,855
Dyer Memorial fund	699,354	639,687
Total	\$ 1,220,725	\$ 992,401

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:

	2019	2018
Balance , beginning of year	\$ 561	\$ 721
Amortization of deferred contributions	(98)	(160)
Balance , end of year	\$ 463	\$ 561

Muskoka Conservancy Notes to Financial Statements

December 31, 2019

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. Subsequent Event

Subsequent to year end, the impact of COVID-19 in Canada and on the global economy increased significantly. As the impacts of COVID-19 continue, there could be further impact on the organization, its funders and donors. Management is actively monitoring the affect on its financial condition, liquidity, operations, suppliers, industry, and workforce.

The organization investments (Note 2) include a mix of fixed income, mutual funds and portfolio shares. These investments are reported in these financial statements at their fair values on December 31, 2019. The Organization receives quarterly reporting on the performance of the fund and therefore as of the report date management does not know the current value of the investments.

Given the daily evolution of the COVID-19 out break and the global responses to curb its spread, the Organization is not able to fully estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity at this time

11. Comparative Amounts

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

Muskoka Conservancy Notes to Financial Statements

December 31, 2019

12. 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 \$118,502. 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.

	<u>2019</u>		<u>2018</u>
Items for resale	\$ 2,500	\$	2,819
Items for auction	11,002		6,675
Donations - in kind	13,502		9,494
Nature reserves	105,000		63,000
	<u>\$ 118,502</u>	<u>\$</u>	<u>72,494</u>

13. Grants

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

	<u>2019</u>		<u>2018</u>
Municipal	\$ 2,000	\$	3,235
Private	19,301		21,013
	<u>\$ 21,301</u>	<u>\$</u>	<u>24,248</u>
