

The Couchiching Conservancy
Financial Statements
For the Year Ended October 31, 2013

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Independent Auditors' Report

**To the Members of
The Couchiching Conservancy**

Report on the Financial Statements

We have audited the accompanying financial statements of The Couchiching Conservancy, which comprise the statement of financial position as at October 31, 2013, and the statement of operations and changes in net assets and the statement of cash flow 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 charitable organizations, the organization derives revenue from donations and fund raising 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 organization and we were not able to determine whether any adjustments might be necessary to donation and fundraising revenue, excess of revenues over expenses, and cash flows from operations.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial position of The Couchiching Conservancy as at October 31, 2013, and the results of its operations and its cash flows for the year then ended is in accordance with Canadian accounting standards for not-for-profit organizations.



**Hehn Trickey Professional Corporation
Chartered Accountants**

*Authorized to practise public accounting by
The Institute of Chartered Accountants of Ontario*

Orillia, Ontario
January 10, 2014

The Couchiching Conservancy
Statement of Financial Position
As at October 31, 2013

	Operating Fund	Acquisition & Capital Fund	Other Fund	October 31 2013	October 31 2012
Assets					
Current					
Cash and bank	\$ 294,805	\$ -	\$ -	\$ 294,805	\$ 227,192
Short-term investments (Note 3)	-	7,476	33,568	41,044	143,328
Accounts receivable	51,312	-	-	51,312	38,727
Grants receivable	5,605	-	-	5,605	9,383
Accrued interest receivable	2,852	-	-	2,852	-
Interfund receivable	-	3,690	7,397	11,087	20,949
Prepaid expenses	5,910	-	-	5,910	3,808
	360,484	11,166	40,965	412,615	443,387
Long-term investments (Note 3)	56,572	38,273	252,752	347,597	220,543
Endowment assets (Note 4)	-	-	51,922	51,922	32,408
Capital assets (Note 5)	3,186	2,984,610	-	2,987,796	2,853,886
	\$ 420,242	\$ 3,034,049	\$ 345,639	\$ 3,799,930	\$ 3,550,224
Liabilities and Net Assets					
Current					
Accounts payable	\$ 19,379	\$ -	\$ -	\$ 19,379	\$ 27,045
Interfund payable	11,087	-	-	11,087	20,949
Deferred contributions	87,242	-	-	87,242	86,320
	117,708	-	-	117,708	134,314
Net Assets					
Unrestricted (Note 6 and Note 12)	55,456	-	-	55,456	54,365
Invested in capital assets (Note 6, 7 & 12)	3,186	2,984,610	-	2,987,796	2,853,886
Internally restricted - acquisition (Note 7)	-	49,439	-	49,439	48,601
President's reserve (Note 6)	243,892	-	-	243,892	164,773
Internally restricted - other (Note 8)	-	-	345,639	345,639	294,285
	302,534	3,034,049	345,639	3,682,222	3,415,910
	\$ 420,242	\$ 3,034,049	\$ 345,639	\$ 3,799,930	\$ 3,550,224

The accompanying notes are an integral part of these financial statements.

The Couchiching Conservancy
Statement of Operations and Changes in Net Assets
For the Year Ended October 31, 2013

	Operating Fund	Acquisition & Capital Fund	Other Fund	October 31 2013	Budget	October 31 2012
Revenues						
Donations (Schedule 1)	\$ 225,813	\$ 150,498	\$ 44,873	\$ 421,184	\$ 170,480	\$ 461,205
Grants (Schedule 1)	224,365	50,917	-	275,282	355,231	377,140
Interest	12,577	-	-	12,577	4,000	3,740
Merchandise and services	15,968	-	-	15,968	24,000	1,662
Miscellaneous	6,996	-	-	6,996	14,224	10,365
Special events	35,025	-	-	35,025	41,000	37,989
	520,744	201,415	44,873	767,032	608,935	892,101
Expenses						
Advertising and promotion	4,928	948	-	5,876	2,500	5,567
Amortization	1,090	-	-	1,090	-	1,090
Bank charges and interest	1,667	-	-	1,667	2,000	1,890
Dues, fees and licences	2,812	-	-	2,812	2,500	2,342
Fundraising and volunteers	2,430	116	-	2,546	3,500	7,229
General and office	12,159	-	-	12,159	19,097	14,810
Insurance	5,875	-	14,894	20,769	5,605	20,971
Materials and supplies	10,141	-	-	10,141	15,232	10,335
Printing and postage	10,620	-	-	10,620	24,808	18,530
Professional fees and closing costs	44,493	17,320	-	61,813	25,192	65,015
Property taxes and maintenance	13,911	-	-	13,911	7,700	15,232
Property and easement acquisitions	-	135,206	-	135,206	-	84,290
Property donation	-	8,012	-	8,012	20,500	113,786
Purchased merchandise	1,842	-	-	1,842	2,000	807
Special events	15,986	-	-	15,986	16,570	5,890
Subcontracts	48,396	-	-	48,396	77,649	125,076
Training and conference	2,562	-	-	2,562	5,700	3,624
Travel	12,835	-	-	12,835	16,904	15,624
Utilities and telephone	8,716	-	-	8,716	10,100	8,653
Wages and benefits	241,161	17,600	-	258,761	263,775	241,345
	441,624	179,202	14,894	635,720	521,332	762,106
Excess (deficiency) of revenues over expenses	79,120	22,213	29,979	131,312	87,603	129,995
Interfund transfers	-	(21,375)	21,375	-	-	-
Property and easement acquisitions	-	135,000	-	135,000	-	186,484
Net assets, beginning of year	223,414	2,898,211	294,285	3,415,910	3,415,910	3,099,431
Net assets, end of year (Note 6, 7 and 8)	\$ 302,534	\$ 3,034,049	\$ 345,639	\$ 3,682,222	\$ 3,503,513	\$ 3,415,910

The accompanying notes are an integral part of these financial statements.

The Couchiching Conservancy
Statement of Cash Flows
As at October 31, 2013

	Operating Fund	Acquisition & Capital Fund	Other Fund	October 31 2013	October 31 2012
Cash provided by (used in)					
Operating activities					
Excess (deficiency) of revenues over expenses	\$ 79,120	\$ 22,213	\$ 29,979	\$ 131,312	\$ 129,995
Items not involving cash					
Amortization of capital assets	1,090	-	-	1,090	1,090
Property and easement acquisitions	-	135,000	-	135,000	186,484
Interfund transfers	-	(21,375)	21,375	-	-
	80,210	135,838	51,354	267,402	317,569
Changes in non-cash working capital balances					
Accounts receivable	(12,585)	-	-	(12,585)	6,415
Grants receivable	3,778	-	-	3,778	42,759
Accrued interest receivable	(2,852)	-	-	(2,852)	-
Prepaid expenses	(2,102)	-	-	(2,102)	(3,808)
Long term investments	17,770	(38,273)	(106,551)	(127,054)	(74,109)
Endowment assets	-	-	(19,514)	(19,514)	(8,780)
Accounts payable	(7,666)	-	-	(7,666)	1,742
Deferred contributions	922	-	-	922	(24,796)
Change in interfund balances	(9,862)	(3,690)	13,552	-	-
	67,613	93,875	(61,159)	100,329	256,992
Investing and financing activities					
Property and easement acquisition	-	(135,000)	-	(135,000)	(186,484)
Purchase of furniture and equipment	-	-	-	-	(2,179)
	-	(135,000)	-	(135,000)	(188,663)
Increase (decrease) in cash during the year	67,613	(41,125)	(61,159)	(34,671)	68,329
Cash, beginning of year	227,192	48,601	94,727	370,520	302,191
Cash, end of year	\$ 294,805	\$ 7,476	\$ 33,568	\$ 335,849	\$ 370,520
Represented by					
Cash and bank	\$ 294,805	\$ -	\$ -	\$ 294,805	\$ 227,192
Short-term deposits	-	7,476	33,568	41,044	143,328
	\$ 294,805	\$ 7,476	\$ 33,568	\$ 335,849	\$ 370,520

The accompanying notes are an integral part of these financial statements.

The Couchiching Conservancy

Notes to Financial Statements

October 31, 2013

1. Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

Nature of Organization The Couchiching Conservancy was incorporated without share capital under the laws of Canada on November 4, 1993. The objects of the organization are as follows:

- a) To preserve, protect, restore and improve the natural environment of the Couchiching Severn region.
- b) To encourage and foster an understanding and awareness of the natural environment and its value in enhancing our quality of life.
- c) To acquire, maintain and preserve lands, or interests in lands of ecological, recreational, scientific, scenic, heritage or open space value.
- d) To promote and undertake research and data collection on the natural environment and to distribute the findings to the public.

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

Fund Accounting

The organization follows the restricted fund method of accounting for contributions.

The Operating Fund accounts for the organization's program delivery and administrative activities, which include the stewardship of existing properties and the indirect costs of property acquisition. This fund reports unrestricted resources and restricted operating grants.

The President's Reserve Fund is part of the operating fund created by a motion of the Board of Directors for future core operating expenditures of the organization.

The Acquisition and Capital Fund report the assets, liabilities, revenues and direct expenses related to the organization's property acquisitions. The Board of Directors established this fund for the purpose of acquiring lands in accordance with the organization's objectives.

The Couchiching Conservancy
Notes to Financial Statements
October 31, 2013

1. Significant Accounting Policies (continued)

Fund Accounting (continued)

The Other Fund encompasses the Property Protection Reserve Fund, The Carden Conservation Reserve Fund, the Couchiching Conservancy Land Stewardship Endowment Fund and the Heartwood Fund Endowment.

The Property Protection Reserve Fund reports the assets, revenues and expenditures related to the organization's property protection investments. The Board established this fund to provide investment income to maintain properties acquired, as well as to provide a source of funds for the enforcement of ecological conditions covering properties owned, protected under a conservation easement or under a management agreement. This fund is included in the "Other" fund category on the balance sheet, statement of operations and changes in fund balances, and the statement of cash flows.

The Carden Conservation Reserve Fund reports the assets, revenues and expenditures related to funds designated by the organization to be used directly for conservation activities on the Carden Plain. A committee is to be established to authorize the expenditure of these funds. This fund is included in the "Other" fund category on the balance sheet, statement of operations and changes in fund balances, and the statement of cash flows.

The Couchiching Conservancy Land Stewardship Endowment Fund is to be used for activities and operations in relation to property management and maintenance such as monitoring, property inventories, fencing, tree planting, habitat enhancement, trail maintenance, property taxes and land surveys.

The Heartwood Fund Endowment was established with the purpose of providing the Couchiching Conservancy with a stable and ongoing funding stream with the intention of further increasing the permanency of the organization. It is to be used for operations, stewardship and further investment. It is not to be used for land acquisitions.

Externally restricted funds include certain properties of the Acquisition and Capital Funds and the Ironside short-term investments held by the Operating Fund.

The Couchiching Conservancy
Notes to Financial Statements
October 31, 2013

1. Significant Accounting Policies (continued)

Revenue Recognition 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 in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Revenue from merchandise sales, services and special events is recognized at the time of shipment, when the service is rendered or when the event occurs.

Contributed Materials and Services 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. Volunteers contribute their time to assist the organization in carrying out its various activities. Volunteer contributions are not recognized in the financial statements because of the difficulty of determining their fair market value.

Short-term Investments Short-term investments are recorded at cost.

Capital Assets Capital assets are recorded at cost. Furniture and equipment are included in the Operating Fund.

The purchase of property and easements by the Acquisition and Capital Fund are charged to the statement of operations and changes in fund balances in the period of acquisition. These acquisitions are then transferred to the balance sheet as capital assets and in the fund balances as an investment in capital assets. Contributed capital assets are recorded at fair value at the date of contribution. Where fair value cannot be reasonably determined, contributed capital assets are recorded at a nominal amount. Amortization based on the estimated useful life of the asset is calculated as follows:

Furniture and equipment	- 10 years straight line basis
Computer equipment	- 5 years straight line basis

The Couchiching Conservancy
Notes to Financial Statements
October 31, 2013

1. Significant Accounting Policies (continued)

Use of Estimates The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

Long-term Investments Long-term investments are recorded at cost.

**Cash and Cash
Equivalents** Cash and cash equivalents consist of cash on hand, bank balances and short term investments.

2. Financial Instruments

The organization has a comprehensive risk management framework to monitor, evaluate and manage the principle risks assumed with financial instruments. The risks that arise from transacting financial instruments include interest rate risk, liquidity risk, and market risk. Price risk arises from changes in interest rates, foreign currency exchange rates and market prices.

(a) Liquidity risk:

The organization's exposure to liquidity risk is dependent on the receipt of funds from its major funding sources and other related fundraising sources, whether in the form of grant revenue, fundraising or interest.

The Couchiching Conservancy
Notes to Financial Statements
October 31, 2013

3. Investments

	<u>2013</u>	<u>2012</u>
Savings account with interest at 0.5%	\$ 2	\$ 2,748
Mortgage receivable, 3% due July 2016, principal and interest due annually of \$20,000, secured by land	56,572	74,342
Guaranteed investment certificate with interest at 4.4%, maturing in June 2013	-	9,504
Guaranteed investment certificate with interest at 2.5%, maturing in March 2015	6,255	6,255
Guaranteed investment certificate with interest stepped at 1.85%, 2% and 2.5%, maturing in October 2013	-	100,000
Guaranteed investment certificate with interest at 2% maturing in May 2014	26,830	26,830
Guaranteed investment certificate with interest at 2% maturing in May 2014	4,246	4,246
Guaranteed investment certificate with interest at 2.1% maturing in January 2014	5,446	5,446
Guaranteed investment certificate with interest at 2.2% maturing in January 2015	50,000	50,000
Guaranteed investment certificate with interest at 2.4% maturing in January 2016	50,000	50,000
Guaranteed investment certificate with interest at 1.9% maturing in March 2014	34,500	34,500
Savings account	9,966	-
Guaranteed investment certificate with interest at 1.6% maturing in June 2014	8,000	-
Guaranteed investment certificate with interest stepped at 1.55%, 1.70% and 2.3%, maturing in June 2016	19,949	-
Guaranteed investment certificate with interest stepped at 1.55%, 1.70% and 2.3%, maturing in June 2016	16,875	-
Guaranteed investment certificate with interest at 2.2% maturing in April 2014	100,000	-
	388,641	363,871
Less amounts due or available within one year included in current assets as short-term investments	41,044	143,328
	\$ 347,597	\$ 220,543

The Couchiching Conservancy
Notes to Financial Statements
October 31, 2013

4. Endowment Assets

A portion of the endowment funds are being held by The Community Foundation of Orillia and Area on behalf of the Couchiching Conservancy. The amount held at October 31, 2013 was \$32,438 (2012 - \$23,126)

The Couchiching Conservancy
Notes to Financial Statements
October 31, 2013

5. Capital Assets

	2013		2012	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Operating Fund				
Furniture and fixtures	\$ 6,359	\$ 5,138	\$ 1,221	\$ 1,681
Computer equipment	6,068	4,103	1,965	2,595
	12,427	9,241	3,186	4,276
Acquisition and Capital Fund				
Land - Alexander Hope-Smith Nature Reserve	145,000	-	145,000	145,000
Land - Bluebird Ranch	233,018	-	233,018	233,018
Land - Butler Property	9,552	-	9,552	9,552
Land - Carthew Bay Reserve	80,800	-	80,800	80,800
Land - Church Woods	750,000	-	750,000	750,000
Land - Elliott Woods	100,000	-	100,000	100,000
Land - Fawcett Nature Reserve	45,000	-	45,000	-
Land - Grant Wetlands	147,500	-	147,500	147,500
Land - Hewetson Property	77,000	-	77,000	77,000
Land - Jennett Woods	175,000	-	175,000	175,000
Land - McDarker Wetlands	16,752	-	16,752	16,752
Land - Mclsaac Wetlands	20,000	-	20,000	20,000
Land - Prospect Marsh	82,500	-	82,500	-
Land - Roehl Reserve	23,105	-	23,105	23,105
Land - Starr Property	114,194	-	114,194	114,194
Land - Thomas Agnew Reserve	45,000	-	45,000	45,000
Land - Waterthrush Woods	16,000	-	16,000	16,000
Land - Wolf Run Alvar	184,261	-	184,261	184,261
Land, building - Grant Woods	463,136	-	463,136	463,136
Easement - Agnew Property	30,000	-	30,000	30,000
Easement - Ironside Property	35,540	-	35,540	35,540
Easement - Konda Property	1	-	1	1
Easement - Mack Williams	75,000	-	75,000	75,000
Easement - Probst Property	36,750	-	36,750	36,750
Easement - Russell Property	7,500	-	7,500	-
Easement - Scout Valley	1	-	1	1
Easement - Turnbull Property	49,500	-	49,500	49,500
Easement - Wilkins Property	22,500	-	22,500	22,500
	2,984,610	-	2,984,610	2,849,610
	\$ 2,997,037	\$ 9,241	\$ 2,987,796	\$ 2,853,886

The easements for the Konda Property and Scout Valley have been recognized at a nominal value of \$1 each. Valuations were not necessary to obtain these easements, and due to the cost of obtaining appraisals, fair market valuations were not completed and are not planned.

The Couchiching Conservancy
Notes to Financial Statements
October 31, 2013

6. Operating Funds

	<u>2013</u>	<u>2012</u>
Unrestricted		
Balance, beginning of year	\$ 54,365	\$ 52,915
Surplus for the year (Note 12)	80,210	85,158
Interfund transfers	(79,119)	(83,708)
	<u>55,456</u>	<u>54,365</u>
Invested in Capital Assets		
Balance, beginning of year	4,276	3,187
Surplus (deficit) for the year (Note 12)	(1,090)	1,089
	<u>3,186</u>	<u>4,276</u>
Ironside Fund - Externally Restricted		
Balance, beginning of year	-	1,600
Interfund transfers	-	(1,600)
	<u>-</u>	<u>-</u>
President's Reserve - Internally Restricted		
Balance, beginning of year	164,773	94,773
Interfund transfers	79,119	70,000
	<u>243,892</u>	<u>164,773</u>
	<u>\$ 302,534</u>	<u>\$ 223,414</u>

7. Acquisition and Capital Funds

	<u>2013</u>	<u>2012</u>
Invested in Capital Assets		
Balance, beginning of year	\$ 2,849,610	\$ 2,663,126
Property and easement acquisitions	135,000	186,484
	<u>2,984,610</u>	<u>2,849,610</u>
Acquisition Reserve Fund		
Balance, beginning of year	48,601	33,825
Surplus (deficit) for the year	22,213	33,418
Interfund transfers	(21,375)	(18,642)
	<u>49,439</u>	<u>48,601</u>
	<u>\$ 3,034,049</u>	<u>\$ 2,898,211</u>

The Couchiching Conservancy
Notes to Financial Statements
October 31, 2013

8. Other Internally Restricted Funds

	<u>2013</u>	<u>2012</u>
Property Protection Reserve Fund		
Balance, beginning of year	\$ 235,876	\$ 201,377
Interfund transfers	21,374	34,499
	<u>257,250</u>	<u>235,876</u>
Carden Conservation Reserve Fund		
Balance, beginning of year	<u>25,000</u>	25,000
	<u>25,000</u>	<u>25,000</u>
Couchiching Conservancy Land Stewardship Endowment		
Balance, beginning of year	23,126	23,628
Contributions for the year	9,312	48
Interfund transfers	-	(550)
	<u>32,438</u>	<u>23,126</u>
Heartwood Fund Endowment		
Balance, beginning of year	10,283	-
Net contributions for the year	20,668	10,283
	<u>30,951</u>	<u>10,283</u>
	<u>\$ 345,639</u>	<u>\$ 294,285</u>

9. Budget Information

The budget figures presented for comparison purposes are unaudited. They have been reclassified to conform with the financial statement presentation.

10. Contributed Materials and Services

These statements include \$31,050 (2012 - \$15,553) of contributed materials and services that have been recorded at their fair value at the time of contribution.

11. Subsequent Event

Subsequent to year end, the Leadbetter Easement was registered by the organization. This easement was fully donated to the organization and a tax receipt of \$48,000 will be issued to the donor in fiscal 2014.

The Couchiching Conservancy
Notes to Financial Statements
October 31, 2013

12. Prior Period Correction

During the 2013 audit it was discovered that the amount invested in capital assets for the operating fund had been understated by \$2,179 in the 2012 financial statements. This has been corrected in the 2012 figures reported in the 2013 financial statements. This has resulted in the 2012 figures being restated as follows:

Operating - unrestricted decreased from \$56,544 to \$54,365

Operating - invested in capital assets increased from \$2,079 to \$4,276

The Couchiching Conservancy
Schedule 1 - Donations and Grant Revenue
For the Year Ended October 31, 2013

	Operating Fund	Acquisition & Capital Fund	Other Fund	October 31 2013	October 31 2012
Donations					
General	\$ 172,695	\$ 15,498	\$ 44,873	\$ 233,066	\$ 317,403
In kind - general	-	-	-	-	3,728
In kind - membership	31,050	-	-	31,050	11,825
Membership	22,068	-	-	22,068	33,459
Property and easements	-	135,000	-	135,000	94,790
	\$ 225,813	\$ 150,498	\$ 44,873	\$ 421,184	\$ 461,205
Grant Revenue					
Government of Canada	\$ 35,689	\$ -	\$ -	\$ 35,689	\$ 86,818
Province of Ontario	64,145	-	-	64,145	122,070
Other	124,531	50,917	-	175,448	168,252
	\$ 224,365	\$ 50,917	\$ -	\$ 275,282	\$ 377,140