

GANARASKA REGION CONSERVATION AUTHORITY
Financial Statements
December 31, 2017

GANARASKA REGION CONSERVATION AUTHORITY
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Year Ended December 31, 2017

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LYNCH
RUTHERFORD
TOZER

CHARTERED
PROFESSIONAL
ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Members of Ganaraska Region Conservation Authority

We have audited the accompanying financial statements of Ganaraska Region Conservation Authority, which comprise the statement of financial position as at December 31, 2017 and the statements of operations, accumulated surplus, cash flows and change in net financial assets 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 audit opinion.

Independent Auditor's Report to the Members of Ganaraska Region Conservation Authority *(continued)*

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Ganaraska Region Conservation Authority 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.



Port Hope, Ontario
February 15, 2018

Chartered Professional Accountants
Licensed Public Accountants

GANARASKA REGION CONSERVATION AUTHORITY
Statement of Financial Position
Year Ended December 31, 2017

	2017	2016
Financial Assets		
Cash	\$ 1,386,306	\$ 1,090,661
Accounts receivable	264,537	193,732
Term deposit (Notes 3, 8)	44,084	43,497
	1,694,927	1,327,890
 Liabilities		
Accounts payable (Note 5)	422,340	423,223
Deferred revenue	521,638	361,035
	943,978	784,258
Net Financial Assets	750,949	543,632
 Non-financial Assets		
Tangible capital assets (Note 6)	6,985,216	7,122,324
Prepaid expenses	32,279	63,571
	7,017,495	7,185,895
Accumulated Surplus (Note 7)	\$ 7,768,444	\$ 7,729,527

ON BEHALF OF THE BOARD

_____ Chair
 _____ Vice-Chair

The accompanying notes form an integral part of these financial statements

GANARASKA REGION CONSERVATION AUTHORITY
Statement of Operations
Year Ended December 31, 2017

	Budget (Unaudited) 2017 (Note 12)	Actual (Audited) 2017	Actual (Audited) 2016
Revenue			
Municipal levies			
General	\$ 936,003	\$ 940,084	\$ 913,174
Benefitting	420,739	254,443	428,857
Government grants			
MNR transfer payments	100,462	100,462	100,462
Employment programs and other	16,751	20,299	12,104
Other grants	113,770	123,239	179,358
User fees and sales			
Ganaraska Forest timber sales	335,000	339,767	299,898
Watershed Stewardship	417,746	202,989	187,713
Ganaraska Forest Centre	480,050	505,506	532,991
Watershed Services	297,120	285,039	157,303
Forest Membership and Sales	306,000	317,164	306,292
Water Resources fees	98,400	133,265	95,225
Other			
Investment income	4,000	8,337	4,426
GFC Conservation Dinner	24,000	25,943	28,595
Sundry and other income	-	5,982	4,604
Trent Conservation Coalition			
Source Protection	86,000	74,461	89,247
Treetop Trekking lease and rental space	48,000	50,096	46,715
Donations	11,200	15,360	26,273
Building for Change donations	7,000	7,472	2,063
	<u>3,702,241</u>	<u>3,409,908</u>	<u>3,415,300</u>
Expenditures			
Watershed Management and Health Monitoring	1,089,839	881,527	969,860
Environmental Advisory Services	198,934	219,769	178,810
Watershed Stewardship	437,746	221,835	210,040
Conservation Land Management			
Passive Recreation	163,067	104,379	87,813
Ganaraska Forest	492,474	426,683	398,861
Ganaraska Forest Centre	708,104	645,120	674,002
Corporate Services	699,177	616,589	594,507
Amortization of tangible capital assets	-	255,089	254,730
	<u>3,789,341</u>	<u>3,370,991</u>	<u>3,368,623</u>
Surplus (deficit) for the year	<u>\$ (87,100)</u>	<u>\$ 38,917</u>	<u>\$ 46,677</u>

The accompanying notes form an integral part of these financial statements

GANARASKA REGION CONSERVATION AUTHORITY
Statement of Accumulated Surplus
Year Ended December 31, 2017

	<u>2017</u>	<u>2016</u>
Accumulated surplus, beginning of year	\$ 7,729,527	\$ 7,682,850
Surplus for the year	<u>38,917</u>	<u>46,677</u>
Accumulated surplus, end of year	<u>\$ 7,768,444</u>	<u>\$ 7,729,527</u>

The accompanying notes form an integral part of these financial statements

GANARASKA REGION CONSERVATION AUTHORITY
Statement of Cash Flows
Year Ended December 31, 2017

	2017	2016
Operating Activities		
Surplus for the year	\$ 38,917	\$ 46,677
Items not affecting cash:		
Amortization of tangible capital assets	255,089	254,730
(Gain) loss on disposal of tangible capital assets	1,232	8,470
	<u>295,238</u>	<u>309,877</u>
Changes in non-cash working capital:		
Accounts receivable	(70,805)	141,074
Prepaid expenses	31,292	(4,497)
Accounts payable	(883)	(29,296)
Deferred revenue	160,603	66,998
	<u>120,207</u>	<u>174,279</u>
Cash flow from operating activities	<u>415,445</u>	<u>484,156</u>
Capital activities		
Purchase of tangible capital assets	(119,213)	(44,648)
Purchase of term deposit	(587)	(516)
Cash flow used by capital activities	<u>(119,800)</u>	<u>(45,164)</u>
Increase in cash	295,645	438,992
Cash, beginning of year	<u>1,090,661</u>	<u>651,669</u>
Cash, end of year	<u>\$ 1,386,306</u>	<u>\$ 1,090,661</u>

The accompanying notes form an integral part of these financial statements

GANARASKA REGION CONSERVATION AUTHORITY
Statement of Change in Net Financial Assets
Year Ended December 31, 2017

	2017	2016
Surplus for the year	\$ 38,917	\$ 46,677
Amortization of tangible capital assets	255,089	254,730
Purchase of tangible capital assets	(119,213)	(44,648)
(Gain) loss on disposal of tangible capital assets	1,232	8,470
Change in prepaid expenses	31,292	(4,497)
Increase in net financial assets	207,317	260,732
Net financial assets, beginning of year	543,632	282,900
Net financial assets, end of year	\$ 750,949	\$ 543,632

The accompanying notes form an integral part of these financial statements

GANARASKA REGION CONSERVATION AUTHORITY
Notes to Financial Statements
December 31, 2017

1. NATURE OF OPERATIONS

The Ganaraska Region Conservation Authority (the "Authority") is established under the Conservation Authorities Act of Ontario to further the conservation, restoration, development and management of natural resources other than gas, oil, coal and minerals for the watersheds within its area of jurisdiction. The Authority's area of jurisdiction includes areas in the Municipality of Clarington, Town of Cobourg, Municipality of Port Hope, Township of Hamilton, Township of Alnwick/Haldimand, Township of Cavan Monaghan and the City of Kawartha Lakes.

The Authority is a registered charity and is exempt from income taxes.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Authority are prepared by management in accordance with Canadian generally accepted accounting principles for organizations operating in the local government sector as recommended by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. Significant aspects of the accounting policies adopted by the Authority are as follows:

Accrual accounting

Revenue and expenditures are recorded on the accrual basis, whereby they are reflected in the accounts in the year in which they have been earned and incurred, respectively, whether or not such transactions have been settled by the receipt or payment of money.

Tangible capital assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. Contributed tangible capital assets are recorded at fair market value at the date of contribution. The cost of the tangible capital assets is amortized on a straight-line basis (except land which is not amortized).

Service life of tangible capital assets is as follows:

Land improvements	15 to 40 years	straight-line method
Building and building improvements	25 to 40 years	straight-line method
Furniture and fixtures	10 to 40 years	straight-line method
Machinery and equipment	5 to 30 years	straight-line method
Vehicles	5 to 25 years	straight-line method
Computers and computer software	3 to 10 years	straight-line method
Infrastructure	20 to 100 years	straight-line method

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenditures as incurred.

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GANARASKA REGION CONSERVATION AUTHORITY
Notes to Financial Statements
December 31, 2017

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Reserves

Reserves for future expenditures and contingencies are established as required at the discretion of the members of the Authority. Increases or decreases in these reserves are made by appropriations to or from operations.

Cash and cash equivalents

The Authority considers deposits in bank as cash and cash equivalents.

Revenue recognition

Government transfers are recognized in the financial statements as revenue in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met and reasonable estimates of the amounts can be made.

User charges and fees are recognized as revenue in the period in which the related services are performed.

Revenue from the lease of a specific section of the Ganaraska Forest and office space to an outside company is recognized monthly as set out in the terms of the lease agreement.

Deferred revenue

The Authority receives certain amounts principally from other public sector bodies, the proceeds of which may only be used in the conduct of certain programs or completion of specific work. Further, certain user charges and fees are collected but for which the related services have yet to be performed. These amounts are recognized as revenue when the related expenditures are incurred or services performed.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. In particular, estimates are used in accounting for certain items such as the allowance for doubtful accounts and useful lives of tangible capital assets. Actual results could differ from these estimates.

Donated capital assets, materials and services

Donated capital assets are recorded at fair value when fair value can be reasonably estimated. Donated materials and services are not recorded.

Contributed services

Volunteers contribute significant time to the governance and delivery of the Authority programs. Due to the difficulty in determining the fair value of these contributions, contributed services are not recognized in the financial statements.

GANARASKA REGION CONSERVATION AUTHORITY
Notes to Financial Statements
December 31, 2017

3. TERM DEPOSIT

	2017	2016
Redeemable GIC, Bank of Montreal, 1.20%, maturing December 10, 2020	\$ 44,084	\$ 43,497

The term deposit noted above represents the balance remaining in the Barbara Young reserve. The Authority has internally restricted these funds for use in the Trappers and Traders program and therefore the above GIC was purchased to segregate the remaining funds. (See Note 8 for further details of the bequest)

4. BANK INDEBTEDNESS

The operating line of credit is secured by a general security agreement. The authorized line of credit is \$250,000 with interest charged at prime plus 0.50%, of which \$250,000 remained unused as at December 31, 2017.

5. GOVERNMENT REMITTANCES PAYABLE

Included in accounts payable is a Government remittance payable of \$3,269 (2016 - \$58) due to the Minister of Finance.

6. TANGIBLE CAPITAL ASSETS

	Cost	Accumulated amortization	2017 Net book value	2016 Net book value
Land	\$ 935,531	\$ -	\$ 935,531	\$ 935,531
Land improvements	139,649	66,819	72,830	77,662
Building and building improvements	4,499,914	1,433,956	3,065,958	3,180,076
Furniture and fixtures	566,917	315,796	251,121	287,705
Machinery and equipment	299,078	239,503	59,575	49,110
Vehicles	238,281	176,930	61,351	72,310
Computers and computer software	260,071	154,848	105,223	47,116
Infrastructure	3,940,205	1,506,578	2,433,627	2,472,814
	\$ 10,879,646	\$ 3,894,430	\$ 6,985,216	\$ 7,122,324

GANARASKA REGION CONSERVATION AUTHORITY
Notes to Financial Statements
December 31, 2017

7. ACCUMULATED SURPLUS

	2017	2016
Tangible capital assets	\$ 6,985,216	\$ 7,122,324
Unallocated accumulated surplus	314,836	226,294
Reserves (Note 8)		
Capital asset replacement reserve	190,024	123,128
Reserve for equipment purchase	154,284	154,284
Reserve for forest centre	70,000	50,000
Barbara Young reserve	44,084	43,497
Reserve for forest purchase	10,000	10,000
	\$ 7,768,444	\$ 7,729,527

8. RESERVES

- (a) **CAPITAL ASSET REPLACEMENT RESERVE** In 2016, the Authority implemented a capital asset management plan. The plan identified what assets the Authority has, the condition they are in and what the anticipated needs are to maintain the infrastructure. It also estimates the future needs both from the perspective of preserving existing infrastructure and also anticipates future new asset acquisitions and capacity enhancements. A determination was made of which assets need to be managed and replaced on a 20 year cycle, except for dam infrastructure which has a longer 40 year cycle.
- (b) **RESERVE FOR FOREST CENTRE** Years ago, the Authority set up a reserve in the event that the revenues for the Forest Centre exceeded the budgeted revenues and the expenditures were in line. This was to be used as needed at the Forest Centre, in particular, if there was a time when schools, due to strikes or other situations, did not participate in the programs and a shortfall in revenues was created. In 2017, the revenues for the Forest Centre did exceed the budgeted amount and the expenditures were in line so \$20,000 has been allocated to this existing reserve.
- (c) **BARBARA YOUNG BEQUEST** In 2015, the Authority received a bequest from the estate of Barbara Young. The total amount received was \$57,981. Although the amount was not externally restricted, the Authority has elected to spend the funds on a new Trappers and Traders program. In 2015, \$15,000 was spent on the Trappers and Traders program leaving a balance of \$42,981 at December 31, 2015. The Authority purchased a term deposit (Note 3) and created a reserve account in the accumulated surplus to segregate the remaining funds.

9. PENSION AGREEMENTS

The Authority has a pension agreement with the Ontario Municipal Employee Retirement System ("OMERS") which is a multi-employer plan. The plan is a defined benefit pension plan, which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. The Authority remits monthly to OMERS the employee withholdings and matching contributions.

The Authority staff eligible for OMERS had the choice of joining OMERS or remaining a member of the existing group registered retirement savings plan ("RRSP"). Some members of staff chose to remain with the RRSP and employer contributions are being made to this plan rather than OMERS on behalf of those employees.

GANARASKA REGION CONSERVATION AUTHORITY
Notes to Financial Statements
December 31, 2017

10. COMMITMENTS

(a) The Authority has lease commitment expenditures on various equipment. The future minimum lease payments as at December 31, 2017 are as follows:

2018	\$	3,820
2019		3,211
2020		3,211

(b) The Authority has entered into a lease agreement with an outside company for a specific section of the Ganaraska Forest as well as some office space. The lease has an initial term of ten years, ending in June 2021, and an option to renew for a further five years. The future minimum lease revenue to be received by the Authority as at December 31, 2017 is as follows:

2018	\$	31,026
2019		31,026
2020		31,026
2021		23,380

11. FINANCIAL INSTRUMENTS

The fair value of cash, temporary investments, accounts receivable, accounts payable and deferred revenue are approximately equal to their carrying value due to their short-term maturity date.

12. BUDGET FIGURES

The 2017 budget figures included in these financial statements are those adopted by the Authority on May 18, 2017. The budget figures are unaudited.