

Financial statements of

Federation of Ontario Naturalists
(Operating as Ontario Nature)

February 28, 2017

Federation of Ontario Naturalists

(Operating as Ontario Nature)

February 28, 2017

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Independent Auditor's Report

To the Members of
Federation of Ontario Naturalists
(Operating as Ontario Nature)

We have audited the accompanying financial statements of the Federation of Ontario Naturalists (the "Federation"), which comprise the statement of financial position as at February 28, 2017, the statements of revenue and expenses, changes in fund balances, and 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 in our audit is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

In common with many charitable organizations, the Federation derives revenue from donations and bequests, 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 donations and bequests revenue, the excess of revenue over expenses, and cash flows from operations for the years ended February 28, 2017 and February 29, 2016, current assets as at February 28, 2017 and February 29, 2016, and fund balances as at March 1, 2016 and 2015, and February 28, 2017 and February 29, 2016. Our audit opinion on the financial statements for the year ended February 29, 2016 was modified accordingly, because of the possible effects of this scope limitation.

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 the Federation as at February 28, 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.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
May 18, 2017

Federation of Ontario Naturalists

(Operating as Ontario Nature)

Statement of financial position
as at February 28, 2017

| | February 28, 2017 | February 29, 2016 |
|---|----------------------|----------------------|
| | \$ | \$ |
| Assets | | |
| Current assets | | |
| Cash | 374,029 | 295,469 |
| Accounts receivable | 352,245 | 212,786 |
| Prepaid expenses | 72,913 | 64,075 |
| | 799,187 | 572,330 |
| Investments (Note 3) | 2,559,800 | 2,053,912 |
| Easements (Note 4) | 893,000 | 893,000 |
| Capital assets (Note 5) | 5,079,598 | 4,427,207 |
| | 9,331,585 | 7,946,449 |
| Liabilities | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities | 156,210 | 64,365 |
| Government remittances | 34,443 | - |
| Deferred revenue (Note 6) | 337,362 | 88,640 |
| | 528,015 | 153,005 |
| Fund balances | | |
| Invested in Capital Assets and Easements | 5,972,598 | 5,320,207 |
| Operating | 1,308,405 | 1,091,108 |
| Externally restricted - Nature Trust/Nature Reserve | 1,522,567 | 1,382,129 |
| | 8,803,570 | 7,793,444 |
| | 9,331,585 | 7,946,449 |

Approved on behalf of the Board



Director



Director

The accompanying notes to the financial statements are an integral part of this financial statement.

Federation of Ontario Naturalists

(Operating as Ontario Nature)

Statement of revenue and expenses

year ended February 28, 2017

| | 2017 | | | | 2016 | | | |
|---|---|-------------------|--|------------------|---|-------------------|--|------------------|
| | Invested in Capital Assets and Easements Fund (Notes 4 and 5) | Operating Fund | Externally restricted (Nature Trust/Nature Reserve Fund) | Total | Invested in Capital Assets and Easements Fund (Notes 4 and 5) | Operating Fund | Externally restricted (Nature Trust/Nature Reserve Fund) | Total |
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Revenue | | | | | | | | |
| Publication - "ON Nature" | - | 151,844 | - | 151,844 | - | 135,251 | - | 135,251 |
| Donations | 725,000 | 727,016 | 162,849 | 1,614,865 | 200,000 | 726,425 | - | 926,425 |
| Bequests | - | 553,827 | - | 553,827 | - | 699,651 | - | 699,651 |
| Investment income | - | 18,814 | 40,379 | 59,193 | - | 52,754 | 153,978 | 206,732 |
| Other income | - | 33,187 | - | 33,187 | - | 40,110 | - | 40,110 |
| Grants | - | 1,022,939 | - | 1,022,939 | - | 929,452 | - | 929,452 |
| | 725,000 | 2,507,627 | 203,228 | 3,435,855 | 200,000 | 2,583,643 | 153,978 | 2,937,621 |
| Expenses (Note 10) | | | | | | | | |
| Conservation and education programs | - | 1,185,409 | 168,612 | 1,354,021 | - | 1,038,179 | 214,873 | 1,253,052 |
| Publication - "ON Nature" | - | 217,509 | - | 217,509 | - | 201,991 | - | 201,991 |
| Development | - | 437,335 | - | 437,335 | - | 404,842 | - | 404,842 |
| Public relations and communications | - | 247,859 | - | 247,859 | - | 221,729 | - | 221,729 |
| Administration | - | 244,489 | - | 244,489 | - | 261,223 | - | 261,223 |
| Rental properties and other | 21,070 | 12,451 | - | 33,521 | 29,225 | 7,484 | - | 36,709 |
| | 21,070 | 2,345,052 | 168,612 | 2,534,734 | 29,225 | 2,135,448 | 214,873 | 2,379,546 |
| Excess (deficiency) of revenue over expenses before the undemoted | 703,930 | 162,575 | 34,616 | 901,121 | 170,775 | 448,195 | (60,895) | 558,075 |
| Change in unrealized (loss) gain on investments | - | 43,572 | 105,822 | 149,394 | - | (63,889) | (220,884) | (284,773) |
| Loss on sale of Lost Bay House | (40,389) | - | - | (40,389) | - | - | - | - |
| Excess (deficiency) of revenue over expenses | 663,541 | 206,147 | 140,438 | 1,010,126 | 170,775 | 384,306 | (281,779) | 273,302 |

The accompanying notes to the financial statements are an integral part of this financial statement.

Federation of Ontario Naturalists

(Operating as Ontario Nature)

Statement of changes in fund balances year ended February 28, 2017

| | | | | 2017 | 2016 |
|---|---|-------------------|---|------------------|-----------|
| | Invested in Capital Assets and Easements Fund | Operating Fund | Externally restricted (Nature Trust/Nature Reserve Fund) | Total | Total |
| | \$ | \$ | \$ | \$ | \$ |
| Fund balances, beginning of the year | 5,320,207 | 1,091,108 | 1,382,129 | 7,793,444 | 7,520,142 |
| Excess of revenue over expenses | 663,541 | 206,147 | 140,438 | 1,010,126 | 273,302 |
| Purchases of capital assets | 793,773 | (793,773) | - | - | - |
| Donations for purchases of capital assets | (725,000) | 725,000 | - | - | - |
| Proceeds on sale of capital assets | (79,923) | 79,923 | - | - | - |
| Fund balances, end of year | 5,972,598 | 1,308,405 | 1,522,567 | 8,803,570 | 7,793,444 |

The accompanying notes to the financial statements are an integral part of this financial statement.

Federation of Ontario Naturalists

(Operating as Ontario Nature)

Statement of cash flows

year ended February 28, 2017

| | 2017 | 2016 |
|---|--------------------|-----------------|
| | \$ | \$ |
| Operating activities | | |
| Excess of revenue over expenses | 1,010,126 | 273,302 |
| Items not affecting cash | | |
| Amortization | 21,070 | 29,225 |
| Loss on sale of capital assets | 40,389 | - |
| Donated capital assets | - | (200,000) |
| Change in unrealized loss (gain) on investments | (149,394) | 284,773 |
| | 922,191 | 387,300 |
| | | |
| Changes in non-cash operating items | | |
| Accounts receivable | (139,459) | 105,308 |
| Prepaid expenses | (8,838) | (4,995) |
| Accounts payable and accrued liabilities | 91,845 | (102,409) |
| Government remittances | 34,443 | (29,597) |
| Deferred revenue | 248,722 | (109,867) |
| | 1,148,904 | 245,740 |
| | | |
| Investing activities | | |
| Proceeds on sale of capital assets | 79,923 | - |
| Purchases of capital assets | (793,773) | (3,721) |
| Purchase of investments - net | (356,494) | (56,418) |
| | (1,070,344) | (60,139) |
| | | |
| Net increase in cash and term deposits | 78,560 | 185,601 |
| Cash, beginning of year | 295,469 | 109,868 |
| Cash, end of year | 374,029 | 295,469 |

The accompanying notes to the financial statements are an integral part of this financial statement.

Federation of Ontario Naturalists

(Operating as Ontario Nature)

Notes to the financial statements

February 28, 2017

1. Nature of organization

The Federation of Ontario Naturalists (the "Federation") is a charitable organization registered under the Income Tax Act. In operation since 1931, the Federation's mission is to protect Ontario's wild species and wild spaces through conservation, education and public engagement.

2. Summary of significant accounting policies

Financial statement presentation

These financial statements have been prepared in accordance with the Accounting Standards for Not-for-Profit Organizations, using the restricted fund method of reporting restricted contributions.

Financial instruments

The Federation's financial assets are comprised of cash, accounts receivable and investments; financial liabilities are comprised of accounts payable, accrued liabilities and government remittances.

Financial assets and financial liabilities are initially recognized at fair value when the Federation becomes a party to the contractual provisions of the financial instrument. Subsequently, all financial instruments are measured at amortized cost, except for investments, which are carried at fair value. Any subsequent changes in fair value are recorded in the Statement of revenue and expenses.

The fair value for investments is determined directly from published price quotations in an active market.

Revenue recognition

Donations, bequests and grants are recorded when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Donations, which have been restricted through specific direction from a contributor and for which no restricted fund exists are deferred and recorded as revenue when the related expense occurs. Project grants received in advance of the related expense and for which no specific fund exists are recorded as deferred revenue. Donations and grants received specifically for the purchase of depreciable capital assets are deferred and amortized to revenue on the same basis as the related capital asset. Donations and grants received for non-depreciable assets are recorded as revenue. Publication subscriptions are recorded when the publication is issued. Interest income is recognized on the accrual basis, while dividend income is recognized when declared.

Fund accounting

In order to ensure observance of the limitations and restrictions placed on the use of resources available to the Federation, the accounts are maintained in accordance with the principles of fund accounting. Accordingly, resources are classified for accounting and reporting purposes into funds. These funds are held in accordance with the objectives specified by the donors. For financial reporting purposes, the accounts have been classified into the following funds:

Operating Fund - reflecting the income and expenses associated with the Federation's program delivery and administrative activities and various environmental programs.

Nature Trust/Nature Reserve Fund - reflecting the externally restricted income and expenses relating to the nature reserves maintained by the Federation.

Invested in Capital Assets and Easements Fund - This fund reflects the Federation's net investment in capital assets (net book value less any related capital grants and financing) and easements.

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Notes to the financial statements

February 28, 2017

2. Summary of significant accounting policies (continued)

Capital assets

Capital assets are recorded at cost, or fair market value in the case of donated property. Leasehold improvements are amortized over the lease term. Buildings, equipment and fixtures and computer equipment are amortized on the straight-line basis over their average estimated useful lives, estimated as follows:

| | |
|------------------------|---------|
| Buildings | 5% |
| Equipment and fixtures | 20% |
| Computer equipment | 33 1/3% |

Easements

Easements are stated at cost.

Deferred revenue

Deferred revenue includes amounts received during the year which will be used to fund specific programs in subsequent years, as well as unearned publication subscriptions and memberships.

Use of estimates

The preparation of financial statements in accordance 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 and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenue and expenses for the year then ended. Actual results may differ from such estimates. Items that are subject to estimates include investments, the allocation of expenses, the useful life of capital assets, and deferred revenue.

Allocation of expenses

General support costs, consisting of salaries and benefits, rent and other, have been allocated to program expenses based on the estimated benefit to the program. Such allocations are reviewed regularly by management.

Deferred lease inducements

Deferred lease inducements, consisting of a period of free rent and a non-repayable leasehold improvement allowance, are amortized on the straight-line basis over the term of the lease.

3. Investments

| | February 28, 2017 | February 29, 2016 |
|------------------------|----------------------|----------------------|
| | \$ | \$ |
| GIC | - | 200,426 |
| Fixed income fund | 1,016,992 | 772,304 |
| Foreign equities fund | 1,043,146 | 722,688 |
| Canadian equities fund | 499,662 | 358,494 |
| | <u>2,559,800</u> | <u>2,053,912</u> |

4. Easements

A conservation easement is a legal agreement by which a landowner voluntarily restricts or limits the type and amount of development that may take place on his or her land to conserve its natural features. Once registered on title, the agreement runs with the title and binds all future owners.

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Notes to the financial statements

February 28, 2017

4. Easements (continued)

The Federation has title to the following easements:

| | February 28, 2017 | February 29, 2016 |
|-----------------------------|----------------------|----------------------|
| | \$ | \$ |
| Almack - Pickering, Ontario | 293,000 | 293,000 |
| Connell - Brockton, Ontario | 600,000 | 600,000 |
| | 893,000 | 893,000 |

5. Capital assets

| | | | February 28, 2017 | February 29, 2016 |
|------------------------|------------------|-----------------------------|----------------------|----------------------|
| | Cost | Accumulated amortization | Net book value | Net book value |
| | \$ | \$ | \$ | \$ |
| Land | 4,968,888 | - | 4,968,888 | 4,199,833 |
| Buildings | 260,318 | 155,419 | 104,899 | 221,998 |
| Equipment and fixtures | 30,646 | 29,331 | 1,315 | 2,050 |
| Computer equipment | 23,550 | 19,054 | 4,496 | 3,326 |
| | 5,283,402 | 203,804 | 5,079,598 | 4,427,207 |

Buildings consist of a house and a barn in King Township. A house in the Township of Lansdowne, Ontario, was severed and sold in 2017.

During 2016, the Federation purchased the Sydenham Nature Reserve, a 192 acre piece of land in the former Brooke and Mosa Township for \$769,055.

6. Deferred revenue

Deferred revenue is comprised of:

| | February 28, 2017 | February 29, 2016 |
|------------------------------------|----------------------|----------------------|
| | \$ | \$ |
| Deferred club membership fees | 11,017 | 10,907 |
| Deferred publication subscriptions | 14,000 | 15,000 |
| Deferred project funding | 312,345 | 62,733 |
| | 337,362 | 88,640 |

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February 28, 2017

7. Lease commitments

The Federation is committed to the following annual lease payments for office space and equipment up to their expiring date in 2021:

| | |
|------|----------------|
| | \$ |
| 2018 | 202,010 |
| 2019 | 196,826 |
| 2020 | 193,332 |
| 2021 | 142,404 |
| | <u>734,572</u> |

8. Credit facility

The Federation has a line of credit of \$75,000, secured by a general security agreement, of which \$Nil was outstanding as at February 28, 2017 and February 29, 2016.

9. Guarantees

Indemnity has been provided to all directors and/or officers of the Federation for various items including, but not limited to, all costs to settle suits or actions due to their association with the Federation, subject to certain restrictions. The Federation has purchased directors' and officers' liability insurance to mitigate the cost of any potential future suits or actions. The maximum amount of any potential future payment cannot be reasonably estimated.

10. Allocation of general support costs

The Federation has allocated its general support costs as follows:

| | 2017 | | |
|-------------------------------------|--------------------------|-------------------|----------------|
| | Salaries and benefits | Rent and other | Total |
| | \$ | \$ | \$ |
| Conservation and education programs | 105,210 | 126,245 | 231,455 |
| Publication - "ON Nature" | 8,889 | 12,399 | 21,288 |
| Development | 46,879 | 50,948 | 97,827 |
| Public relations and communications | 50,345 | 41,267 | 91,612 |
| Administration costs | 85,910 | 27,595 | 113,505 |
| | <u>297,233</u> | <u>258,454</u> | <u>555,687</u> |

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Notes to the financial statements

February 28, 2017

10. Allocation of general support costs (continued)

| | 2016 | | |
|-------------------------------------|--------------------------|-------------------|---------|
| | Salaries and benefits | Rent and other | Total |
| | \$ | \$ | \$ |
| Conservation and education programs | 95,632 | 117,593 | 213,225 |
| Publication - "ON Nature" | 8,991 | 12,345 | 21,336 |
| Development | 41,102 | 50,880 | 91,982 |
| Public relations and communications | 33,045 | 29,836 | 62,881 |
| Administration costs | 104,423 | 36,686 | 141,109 |
| | 283,193 | 247,340 | 530,533 |

11. Risk management

Interest rate risk

The Federation is exposed to interest rate risk with respect to its short-term investments. Changes in the prime interest rate will have a positive or negative impact on the Federation's investment income. Such exposure will increase accordingly should the Federation maintain higher levels of investments in the future.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Federation's investment policy defines permitted investments and provides guidelines and restrictions on acceptable investments, which minimizes credit risk.

Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Federation invests in foreign equities and is therefore directly exposed to currency risk as the value of the equities denominated in other currencies will fluctuate due to changes in exchange rates.