
Financial statements of
Federation of Ontario Naturalists
(Operating as Ontario Nature)

February 28, 2018

Independent Auditor's Report	1-2
Statement of financial position	3
Statement of revenue and expenses	4
Statement of changes in fund balances	5
Statement of cash flows	6
Notes to the financial statements	7-11

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, 2018, 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, 2018 and 2017, current assets as at February 28, 2018 and 2017, and fund balances as at March 1, 2017 and 2016, and February 28, 2018 and 2017. Our audit opinion on the financial statements for the year ended February 28, 2017 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, 2018 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 9, 2018

Federation of Ontario Naturalists (Operating as Ontario Nature)

Statement of financial position

As at February 28, 2018

	Notes	2018	2017
		\$	\$
Assets			
Current assets			
Cash		151,894	374,029
Accounts receivable		218,491	352,245
Prepaid expenses		93,625	72,913
		464,010	799,187
Investments	3	2,658,204	2,559,800
Easements	4	893,000	893,000
Capital assets	5	5,098,457	5,079,598
		9,113,671	9,331,585
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		73,631	156,210
Government remittances		31,569	34,443
Deferred revenue	6	462,656	337,362
		567,856	528,015
Fund balances			
Invested in Capital Assets and Easements		5,991,457	5,972,598
Operating		1,017,694	1,308,405
Externally restricted – Nature Trust/Nature Reserve		1,536,664	1,522,567
		8,545,815	8,803,570
		9,113,671	9,331,585

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

Approved by the Board


_____, Director


_____, Director

Federation of Ontario Naturalists (Operating as Ontario Nature)

Statement of revenue and expenses

Year ended February 28, 2018

Notes	2018				2017			
	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”	—	182,854	—	182,854	—	151,844	—	151,844
Donations	15,000	851,834	—	866,834	725,000	727,016	162,849	1,614,865
Bequests	—	55,884	—	55,884	—	553,827	—	553,827
Investment income	—	22,185	29,597	51,782	—	18,814	40,379	59,193
Other income	—	29,343	—	29,343	—	33,187	—	33,187
Grants	—	1,046,403	—	1,046,403	—	1,022,939	—	1,022,939
	15,000	2,188,503	29,597	2,233,100	725,000	2,507,627	203,228	3,435,855
Expenses								
Conservation and education programs	—	1,368,873	101,267	1,470,140	—	1,185,409	168,612	1,354,021
Publication – “ON Nature”	—	206,832	—	206,832	—	217,509	—	217,509
Development	—	395,290	—	395,290	—	437,335	—	437,335
Public relations and communications	—	305,557	—	305,557	—	247,859	—	247,859
Administration	—	233,936	—	233,936	—	244,489	—	244,489
Rental properties and other	19,055	6,859	—	25,914	21,070	12,451	—	33,521
	19,055	2,517,347	101,267	2,637,669	21,070	2,345,052	168,612	2,534,734
Excess (deficiency) of revenue over expenses before the undernoted	(4,055)	(328,844)	(71,670)	(404,569)	703,930	162,575	34,616	901,121
Change in unrealized gain on investments	—	61,047	85,767	146,814	—	43,572	105,822	149,394
Loss on sale of Lost Bay House	—	—	—	—	(40,389)	—	—	(40,389)
Excess (deficiency) of revenue over expenses	(4,055)	(267,797)	14,097	(257,755)	663,541	206,147	140,438	1,010,126

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

Federation of Ontario Naturalists (Operating as Ontario Nature)

Statement of changes in fund balances

Year ended February 28, 2018

	2018			2017
	Invested in Capital Assets and Easements Fund	Operating Fund	Externally restricted (Nature Trust/Nature Reserve Fund)	Total
	\$	\$	\$	\$
Fund balances, beginning of the year	5,972,598	1,308,405	1,522,567	8,803,570
Excess of (expenses over revenue) revenue over expenses	(4,055)	(267,797)	14,097	(257,755)
Purchases of capital assets	22,914	(22,914)	—	—
Fund balances, end of year	5,991,457	1,017,694	1,536,664	8,545,815
				7,793,444
				1,010,126
				—
				8,803,570

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

Federation of Ontario Naturalists (Operating as Ontario Nature)**Statement of cash flows**

Year ended February 28, 2018

	2018	2017
	\$	\$
Operating activities		
Excess of (expenses over revenue) revenue over expenses	(257,755)	1,010,126
Items not affecting cash		
Amortization	19,055	21,070
Loss on sale of capital assets	—	40,389
Donated capital assets	(15,000)	—
Change in unrealized gain on investments	(146,814)	(149,394)
	(400,514)	922,191
Changes in non-cash operating items		
Accounts receivable	133,754	(139,459)
Prepaid expenses	(20,712)	(8,838)
Accounts payable and accrued liabilities	(82,579)	91,845
Government remittances	(2,874)	34,443
Deferred revenue	125,294	248,722
	(247,631)	1,148,904
Investing activities		
Proceeds on sale of capital assets	—	79,923
Purchases of capital assets	(22,914)	(793,773)
Sale (purchase) of investments – net	48,410	(356,494)
	25,496	(1,070,344)
Net (decrease) increase in cash	(222,135)	78,560
Cash, beginning of year	374,029	295,469
Cash, end of year	151,894	374,029

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

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.

2. Summary of significant accounting policies (continued)

Fund accounting (continued)

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.

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 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.

Federation of Ontario Naturalists (Operating as Ontario Nature)

Notes to the financial statements

February 28, 2018

3. Investments

	2018	2017
	\$	\$
Fixed income fund	985,621	1,016,992
Foreign equities fund	1,188,632	1,043,146
Canadian equities fund	483,951	499,662
	2,658,204	2,559,800

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.

The Federation has title to the following easements:

	2018	2017
	\$	\$
Almack – Pickering, Ontario	293,000	293,000
Connell – Brockton, Ontario	600,000	600,000
	893,000	893,000

5. Capital assets

	2018			2017
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Land	4,986,112	—	4,986,112	4,968,888
Buildings	273,191	168,757	104,434	104,899
Equipment and fixtures	5,749	3,512	2,237	1,315
Computer equipment	13,702	8,028	5,674	4,496
	5,278,754	180,297	5,098,457	5,079,598

Buildings consist of a house and a barn in King Township. Land, and a house thereon, in the Township of Leeds and the Thousand Islands, Ontario, was severed and sold during the 2017 fiscal year.

On December 22, 2017, a piece of land was donated to the Petrel Point nature reserve at the market value of \$15,000.

Federation of Ontario Naturalists (Operating as Ontario Nature)

Notes to the financial statements

February 28, 2018

6. Deferred revenue

Deferred revenue is comprised of:

	2018	2017
	\$	\$
Deferred club membership fees	11,200	11,017
Deferred publication subscriptions	—	14,000
Deferred project funding	451,456	312,345
	462,656	337,362

7. Lease commitments

The Federation is committed to the following annual lease payments for office space and equipment up to their expiring date in 2023:

	\$
2019	203,572
2020	193,761
2021	144,144
2022	6,174
2023	3,087
	<u>550,738</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, 2018 and February 28, 2017.

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:

	2018		
	Salaries and benefits	Rent and other	Total
	\$	\$	\$
Conservation and education programs	114,792	130,328	245,120
Publication – “ON Nature”	8,348	8,793	17,141
Development	37,896	48,921	86,817
Public relations and communications	50,346	44,081	94,427
Administration costs	84,434	21,413	105,847
	295,816	253,536	549,352

	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
	297,233	258,454	555,687

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.