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

February 28, 2019

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## Independent Auditor's Report

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

### Qualified Opinion

We have audited the financial statements of the Federation of Ontario Naturalists (the "Federation"), which comprise the statement of financial position as at February 28, 2019, and the statements of revenue and expenses, changes in fund balances and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

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 Federation as at February 28, 2019, 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.

### Basis for Qualified Opinion

In common with many not-for-profit 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 Federation and we were not able to determine whether any adjustments might be necessary to donations and bequests revenue, the deficiency of revenues over expenses, and cash flows from operations for the years ended February 28, 2019 and 2018, current assets as at February 28, 2019 and 2018, and fund balances as at March 1 and February 28 for both the 2019 and 2018 years. Our audit opinion on the financial statements for the year ended February 28, 2018 was modified accordingly because of the possible effects of this scope limitation.

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). 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 Federation 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 Federation'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 Federation or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Federation'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 GAAS 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 GAAS, 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 Federation'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 Federation'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 Federation 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.

*Deloitte LLP*

Chartered Professional Accountants  
Licensed Public Accountants  
May 8, 2019

**Federation of Ontario Naturalists** (Operating as Ontario Nature)

**Statement of financial position**

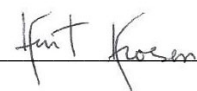
As at February 28, 2019

	Notes	<b>2019</b>	2018
		\$	\$
<b>Assets</b>			
Current assets			
Cash		<b>185,176</b>	151,894
Accounts receivable		<b>182,140</b>	218,491
Prepaid expenses		<b>88,552</b>	93,625
		<b>455,868</b>	464,010
Investments	3	<b>2,923,551</b>	2,658,204
Easements	4	<b>893,000</b>	893,000
Capital assets	5	<b>5,100,927</b>	5,098,457
		<b>9,373,346</b>	9,113,671
<b>Liabilities</b>			
Current liabilities			
Accounts payable and accrued liabilities		<b>108,018</b>	73,631
Government remittances		<b>36,883</b>	31,569
Deferred revenue	6	<b>796,350</b>	462,656
		<b>941,251</b>	567,856
Commitments	7	—	—
<b>Fund balances</b>			
Invested in Capital Assets and Easements		<b>5,993,927</b>	5,991,457
Operating		<b>922,761</b>	1,017,694
Externally restricted – Nature Trust/Nature Reserve		<b>1,515,407</b>	1,536,664
		<b>8,432,095</b>	8,545,815
		<b>9,373,346</b>	9,113,671

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, 2019

Notes	2019				2018			
	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
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Revenue</b>								
Publication – “ON Nature”	—	176,690	—	176,690	—	182,854	—	182,854
Donations	—	833,689	19,285	852,974	15,000	851,834	—	866,834
Bequests	—	368,233	—	368,233	—	55,884	—	55,884
Investment income	—	25,389	31,008	56,397	—	22,185	29,597	51,782
Other income	—	31,789	—	31,789	—	29,343	—	29,343
Grants	—	1,540,652	—	1,540,652	—	1,046,403	—	1,046,403
	—	2,976,442	50,293	3,026,735	15,000	2,188,503	29,597	2,233,100
<b>Expenses</b>								
Conservation and education programs	—	1,855,893	101,339	1,957,232	—	1,368,873	101,267	1,470,140
Publication – “ON Nature”	—	230,507	—	230,507	—	206,832	—	206,832
Development	—	434,174	—	434,174	—	395,290	—	395,290
Public relations and communications	—	311,207	—	311,207	—	305,557	—	305,557
Administration	—	237,007	—	237,007	—	233,936	—	233,936
Rental properties and other	21,560	9,379	—	30,939	19,055	6,859	—	25,914
	21,560	3,078,167	101,339	3,201,066	19,055	2,517,347	101,267	2,637,669
Deficiency of revenue over expenses before the undernoted	(21,560)	(101,725)	(51,046)	(174,331)	(4,055)	(328,844)	(71,670)	(404,569)
Change in unrealized gain on investments	—	30,822	29,789	60,611	—	61,047	85,767	146,814
<b>(Deficiency) excess of revenue over expenses</b>	<b>(21,560)</b>	<b>(70,903)</b>	<b>(21,257)</b>	<b>(113,720)</b>	<b>(4,055)</b>	<b>(267,797)</b>	<b>14,097</b>	<b>(257,755)</b>

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, 2019

	<b>2019</b>			2018
	<b>Invested in Capital Assets and Easements Fund</b>	<b>Operating Fund</b>	<b>Externally restricted (Nature Trust/Nature Reserve Fund)</b>	<b>Total</b>
	\$	\$	\$	\$
Fund balances, beginning of the year	<b>5,991,457</b>	<b>1,017,694</b>	<b>1,536,664</b>	<b>8,545,815</b>
Deficiency of revenue over expenses	<b>(21,560)</b>	<b>(70,903)</b>	<b>(21,257)</b>	<b>(113,720)</b>
Purchases of capital assets	<b>24,030</b>	<b>(24,030)</b>	—	—
Fund balances, end of year	<b>5,993,927</b>	<b>922,761</b>	<b>1,515,407</b>	<b>8,432,095</b>

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, 2019

	<b>2019</b>	2018
	\$	\$
<b>Operating activities</b>		
Deficiency of revenue over expenses	<b>(113,720)</b>	(257,755)
Items not affecting cash		
Amortization	<b>21,560</b>	19,055
Donated capital assets	—	(15,000)
Change in unrealized gain on investments	<b>(60,611)</b>	(146,814)
	<b>(152,771)</b>	(400,514)
Changes in non-cash operating items		
Accounts receivable	<b>36,351</b>	133,754
Prepaid expenses	<b>5,073</b>	(20,712)
Accounts payable and accrued liabilities	<b>34,387</b>	(82,579)
Government remittances	<b>5,314</b>	(2,874)
Deferred revenue	<b>333,694</b>	125,294
	<b>262,048</b>	(247,631)
<b>Investing activities</b>		
Purchases of capital assets	<b>(24,030)</b>	(22,914)
(Purchase) sale of investments – net	<b>(204,736)</b>	48,410
	<b>(228,766)</b>	25,496
Net increase (decrease) in cash	<b>33,282</b>	(222,135)
Cash, beginning of year	<b>151,894</b>	374,029
<b>Cash, end of year</b>	<b>185,176</b>	151,894

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, 2019

**3. Investments**

	<b>2019</b>	2018
	\$	\$
Fixed income fund	<b>1,080,599</b>	985,621
Foreign equities fund	<b>1,300,258</b>	1,188,632
Canadian equities fund	<b>542,694</b>	483,951
	<b>2,923,551</b>	2,658,204

**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:

	<b>2019</b>	2018
	\$	\$
Almack – Pickering, Ontario	<b>293,000</b>	293,000
Connell – Brockton, Ontario	<b>600,000</b>	600,000
	<b>893,000</b>	893,000

**5. Capital assets**

	<b>2019</b>			2018
	<b>Cost</b>	<b>Accumulated amortization</b>	<b>Net book value</b>	Net book value
	\$	\$	\$	\$
Land	<b>4,996,818</b>	—	<b>4,996,818</b>	4,986,112
Buildings	<b>276,103</b>	<b>182,490</b>	<b>93,613</b>	104,434
Equipment and fixtures	<b>6,777</b>	<b>4,452</b>	<b>2,325</b>	2,237
Computer equipment	<b>23,086</b>	<b>14,915</b>	<b>8,171</b>	5,674
	<b>5,302,784</b>	<b>201,857</b>	<b>5,100,927</b>	5,098,457

Buildings consist of a house and a barn in King Township.

On December 22, 2017, a piece of land was donated to the Federation's 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, 2019

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**6. Deferred revenue**

Deferred revenue is comprised of:

	<b>2019</b>	2018
	\$	\$
Deferred club membership fees	<b>10,970</b>	11,200
Deferred project funding	<b>785,380</b>	451,456
	<b>796,350</b>	462,656

**7. Lease commitments**

The Federation is committed to the following annual lease payments for office space and equipment up to their expiring date in 2024:

	\$
2020	206,524
2021	149,490
2022	13,567
2023	10,480
2024	3,697
	<u>383,758</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, 2019 and February 28, 2018.

**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:

	<b>2019</b>		
	<b>Salaries and benefits</b>	<b>Rent and other</b>	<b>Total</b>
	\$	\$	\$
Conservation and education programs	<b>138,505</b>	<b>130,245</b>	<b>268,750</b>
Publication – “ON Nature”	<b>9,547</b>	<b>11,557</b>	<b>21,104</b>
Development	<b>49,344</b>	<b>50,620</b>	<b>99,964</b>
Public relations and communications	<b>57,391</b>	<b>44,300</b>	<b>101,691</b>
Administration costs	<b>85,137</b>	<b>21,181</b>	<b>106,318</b>
	<b>339,924</b>	<b>257,903</b>	<b>597,827</b>
			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

**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.