AUSABLE BAYFIELD CONSERVATION AUTHORITY

Financial Statements

Year Ended December 31, 2013

MACNEILL EDMUNDSON
PROFESSIONAL CORPORATION

Index to Financial Statements

Year Ended December 31, 2013

INDEPENDENT AUDITOR'S REPORT

To the Members of Ausable Bayfield Conservation Authority

We have audited the accompanying financial statements of Ausable Bayfield Conservation Authority, which comprise the statement of financial position as at December 31, 2013 and the statements of revenues and expenditures, changes in accumulated surplus 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 Public Sector Accounting Standards, 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.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Ausable Bayfield Conservation Authority as at December 31, 2013 and the results of its operations and its cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

MacNeill Edmundson

London, Ontario
March 20, 2014

PROFESSIONAL CORPORATION
CHARTERED ACCOUNTANTS
Authorized to practise public accounting by
The Institute of Chartered Accountants of Ontario

AUSABLE BAYFIELD CONSERVATION AUTHORITY

Statement of Financial Position

December 31, 2013

	2013	2012
FINANCIAL ASSETS		
Cash	**$ 2,103,450**	$ 2,277,583
Accounts receivable	**389,193**	507,003
Due from related parties *(Note 8)*	**16,975**	13,839
	$ 2,509,618	$ 2,798,425
LIABILITIES		
Accounts payable	**$ 232,651**	$ 198,426
Deferred revenue *(Note 4)*	**981,557**	1,355,014
	1,214,208	1,553,440
NET ASSETS	**1,295,410**	1,244,985
NON-FINANCIAL ASSETS		
Tangible capital assets *(Note 2)*	**6,052,528**	6,135,325
Prepaid expenses	**16,912**	10,936
	6,069,440	6,146,261
ACCUMULATED SURPLUS	**$ 7,364,850**	$ 7,391,246

ON BEHALF OF THE BOARD

_______________ *Chair*

_______________ *Vice-Chair*

AUSABLE BAYFIELD CONSERVATION AUTHORITY

Statement of Changes in Accumulated Surplus

Year Ended December 31, 2013

	Surplus Fund	Reserve Fund *(note 7)*	Capital Fund	**2013**	2012
ACCUMULATED SURPLUS - BEGINNING OF YEAR	$ 284,828	$ 971,093	$ 6,135,325	**$ 7,391,246**	$ 7,448,018
Deficiency of revenues over expenditures	176,041	-	(350,676)	**(174,635)**	(110,133)
Appropriations to Reserve *(Note 7)*	(106,621)	135,220	(28,599)	-	-
Appropriations from Reserve *(Note 7)*	85,941	(85,941)	-	-	-
Tangible capital asset additions	-	-	148,239	**148,239**	53,361
Tangible capital assets funded through surplus	(148,239)	-	148,239	-	-
ACCUMULATED SURPLUS - END OF YEAR	$ 291,950	$ 1,020,372	$ 6,052,528	**$ 7,364,850**	$ 7,391,246

AUSABLE BAYFIELD CONSERVATION AUTHORITY
Statement of Revenues and Expenditures
Year Ended December 31, 2013

	Budget 2013	**2013**	2012
REVENUES			
Deferred revenue - prior year *(Note 4)*	$ 1,334,980	**$ 1,355,014**	$ 1,413,469
Provincial grant	1,086,757	**1,115,482**	1,292,745
General levy	868,623	**868,624**	853,469
Partnership contribution	379,094	**612,977**	661,820
User fees	671,120	**533,306**	564,246
Special levy	534,664	**425,116**	405,768
Rental	114,520	**90,662**	110,287
Interest income	14,350	**23,938**	25,549
Donations	2,150	**17,817**	14,605
Miscellaneous	-	**3,232**	1,051
Transfer from Reserve	173,937	**-**	-
Deferred revenue - current year *(Note 4)*	(303,970)	**(981,557)**	(1,355,014)
	4,876,225	**4,064,611**	3,987,995
EXPENDITURES			
Wages and benefits	2,070,113	**2,110,130**	2,070,838
Technical fees	930,481	**811,177**	760,526
Partnership commitments	616,179	**383,244**	263,643
Program supplies	260,903	**173,457**	326,207
Repairs and maintenance	369,957	**90,677**	96,565
Insurance	53,782	**53,782**	53,757
Utilities	50,725	**46,096**	42,421
Memberships, dues, and fees	41,605	**45,833**	53,780
Property taxes	41,000	**37,544**	40,916
Office	151,085	**28,818**	21,758
Board of Directors	36,468	**26,651**	46,049
Travel	19,983	**24,485**	23,724
Training	22,350	**21,542**	14,136
Rental	27,570	**18,213**	15,618
Advertising and promotion	12,685	**15,002**	23,615
Bad debts	-	**1,708**	28
Interest and bank charges	1,480	**211**	218
Transfer to Reserve	134,056	**-**	-
	4,840,422	**3,888,570**	3,853,799
EXCESS OF REVENUES OVER EXPENDITURES FROM OPERATIONS	35,803	**176,041**	134,196
TANGIBLE CAPITAL ASSET ACTIVITY			
Tangible capital asset additions	(64,400)	**(148,239)**	(53,362)
Amortization	(214,072)	**(231,036)**	(222,567)
Gain (loss) on disposal of tangible capital assets	-	**-**	3,001
Capital levy	28,599	**28,599**	28,599
	(249,873)	**(350,676)**	(244,329)
DEFICIENCY OF REVENUES OVER EXPENDITURES	$ (214,070)	**$ (174,635)**	$ (110,133)

AUSABLE BAYFIELD CONSERVATION AUTHORITY

Statement of Cash Flows

Year Ended December 31, 2013

	2013	2012
OPERATING ACTIVITIES		
Deficiency of revenues over expenditures	$ (174,635)	$ (110,133)
Items not affecting cash:		
Amortization of tangible capital assets	231,036	222,567
Gain (loss) on disposal of tangible capital assets	-	(3,001)
	56,401	109,433
Changes in non-cash working capital:		
Accounts receivable	117,810	123,011
Accounts payable	34,225	(8,702)
Deferred revenue *(Note 4)*	(373,457)	(58,455)
Prepaid expenses	(5,976)	-
	(227,398)	55,854
Cash flow from (used by) operating activities	(170,997)	165,287
INVESTING ACTIVITIES		
Proceeds on disposal of tangible capital assets	-	3,001
Purchase of tangible capital assets	(148,239)	(53,361)
Tangible capital assets funded through surplus	148,239	53,361
Cash flow from investing activities	-	3,001
FINANCING ACTIVITY		
Advances from (to) related parties *(Note 8)*	(3,136)	36,309
INCREASE (DECREASE) IN CASH FLOW	(174,133)	204,597
Cash - beginning of year	2,277,583	2,072,986
CASH - END OF YEAR	$ 2,103,450	$ 2,277,583
CASH FLOWS SUPPLEMENTARY INFORMATION		
Interest received	$ 23,938	$ 25,549
Interest paid	$ (211)	$ (218)

DESCRIPTION OF OPERATIONS

The Ausable Bayfield Conservation Authority was created through an Order-in-Council that was approved by the Administrator of the Government of the Province of Ontario, dated July 30, 1946, under the authority of the *Conservation Authorities Act* 1946. The *Act* sets out that the objects of the Conservation Authority are to establish and undertake, in its area of jurisdiction, a program designed to further the conservation, restoration, development and management of natural resources.

The Ausable Bayfield Conservation Authority, as a non profit organization, is exempt from income taxes under the *Income Tax Act of Canada*.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Ausable Bayfield Conservation Authority follows Canadian Public Sector Accounting Standards in preparing its financial statements. The significant accounting policies that were used are as follows:

Tangible capital assets

Tangible capital assets are recorded as an increase in the Capital Fund at cost. The cost of a contributed asset is considered to be equal to its fair market value at the date of contribution.

The cost of a tangible capital asset is charged directly to the project or program. For items recorded as a capital purchase, an internal charge rate is calculated which is designed to recover all operating costs plus replacement costs. Projects or programs are then assessed by the internal rate which is applied based on usage records for the item involved. On an annual basis, the net revenue and expenses that are reported determine the appropriation to or from the reserve funds *(Note 7)*.

In addition, the cost of any equipment that was leased from the private sector was allocated to current projects or programs.

Amortization is provided over the estimated useful lives of the assets. The rates used are as follows:

Land improvements	20 years	straight-line method
Buildings	50 years	straight-line method
Motor vehicles	5 years	straight-line method
Computer equipment	5 years	straight-line method
Equipment	10 years	straight-line method
Furniture and fixtures	10 years	straight-line method
Flood and erosion control structures and trails	50 years	straight-line method

(continues)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition

The Authority follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount can be reasonably estimated and collection is reasonably assured.

The Authority receives funding from the Province of Ontario in accordance with budget arrangements that were established by the Ministry of Natural Resources. These financial statements reflect funding arrangements that were approved by the Ministry.

Inventory

Inventory representing items purchased for resale, is expensed to the respective program during the year.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian Public Sector Accounting Standards 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 expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

2. TANGIBLE CAPITAL ASSETS

	Cost	Accumulated amortization	**2013 Net book value**	2012 Net book value
Land	$ 2,345,291	$ -	**$ 2,345,291**	$ 2,345,291
Land improvements	260,900	203,322	**57,578**	63,540
Buildings	1,936,669	782,568	**1,154,101**	1,094,221
Motor vehicles	185,805	119,519	**66,286**	60,182
Computer equipment	248,173	173,275	**74,898**	74,886
Equipment	233,418	203,896	**29,522**	38,184
Furniture and fixtures	87,910	63,629	**24,281**	32,654
Flood and erosion control structures and trails	6,312,176	4,011,605	**2,300,571**	2,426,367
	$11,610,342	$ 5,557,814	**$ 6,052,528**	$ 6,135,325

3. FINANCIAL INSTRUMENTS

The Authority's financial instruments consist of cash, accounts receivable, due from related parties, accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Authority is not exposed to significant interest, currency or credit risks that would arise from these financial instruments. The financial instruments are recorded at cost and their fair value approximates their carrying values, unless otherwise stated.

4. DEFERRED REVENUE

Grants and other amounts that are received in advance of directly related expenses are deferred and recognized as revenue when the expenses are incurred. The amounts deferred in the current and prior year are as follows:

	2013	2012
Partnership contributions	$ 759,059	$ 892,319
Provincial grants	161,549	365,859
Special levy	37,904	51,689
User fees	15,545	45,147
Donations	7,500	-
	$ 981,557	$ 1,355,014

5. BUDGET FIGURES

The unaudited budget figures that were included as comparative amounts are those as approved by the Board of Directors during the February 21, 2013 meeting.

6. LESSOR COMMITMENT

The Authority has a lease contract with Great Canadian Hideaway Inc. for approximately 230 acres of land at the Parkhill Campground. The lease term expires in 2017 with the right of renewal for an additional 21 years. Basic rental revenue for the next five years is as follows:

	Campground	Basic House Rent	Total
2014	$ 15,000	$ 1,800	$ 16,800
2015	15,000	1,800	16,800
2016	15,000	1,800	16,800
2017	15,000	1,800	16,800
	$ 60,000	$ 7,200	$ 67,200

In addition to the rental revenue noted above, the Authority includes in its rental revenue the appropriate annual costs for taxes and insurance.

In addition, to the campground rent noted above, the Authority collects a percentage rent on an annual basis. The percentage rent is 5% of gross revenue in excess of $250,000. In the current year $1,301 (2012 - $936) was received for percentage rent.

7. RESERVE FUNDS

The reserve funds are all internally restricted by either management or the Board of Directors.

	Balance 2012	Appropriations to Reserve	Appropriations from Reserve	Restricted Contributions	Balance 2013
Property Management	$ 195,836	$ 16,755	$ -	$ -	$ 212,591
Flood and Erosion Control Major Maintenance	374,174	66,883	(2,487)	-	438,570
Vehicles and Equipment	77,144	7,273	-	-	84,417
Barrier-Free Trails, Facilities	50,496	3,221	-	-	53,717
Outdoor Education	39,615	2,171	-	-	41,786
Administration IT	78,155	13,695	(13,487)	-	78,363
Stewardship Endowment	85,869	-	(9,430)	-	76,439
Administration Building	69,804	25,222	(60,537)	-	34,489
	$ 971,093	$ 135,220	$ (85,941)	$ -	$ 1,020,372

The respective funds and the utilization of the said funds are described as follows:

Property Management - Forest management, conservation area maintenance and capital improvements;

Flood and Erosion Control Major Maintenance - To offset the costs of the dam erosions and control structure repairs;

Vehicles and Equipment - Purchase of the fleet's vehicles, a tractor and other work machinery as well as computers, scientific equipment and monitoring stations;

Barrier Free Trails - Capital purchases, or improvements to create barrier free trails on conservation lands or lands where a partnership exists;

Outdoor Education - Staff's time and capital items that support education programs;

Administration IT - Information technology improvements to the Morrison Dam office and buildings;

Stewardship Endowment - Securement of property, implementation and maintenance of stewardship practices;

Administration Building - Capital improvements to the Morrison Dam office and buildings.

8. RELATED ENTITY

Letters Patent incorporating the Ausable Bayfield Conservation Foundation under the *Canada Corporations Act* were granted on June 1, 1974. The Ausable Bayfield Conservation Foundation is a registered charity under the *Income Tax Act*. The Ausable Bayfield Conservation Authority exercises significant influence over the Foundation as it approves the appointment or reappointment of members to the Foundation. The Foundation aids the Conservation Authority in the cultivation and advancement of conservation in the Province of Ontario by providing funding for conservation projects that would otherwise not be undertaken by the Conservation Authority.

The Ausable Bayfield Conservation Foundation's financial information has not been consolidated in the Ausable Bayfield Conservation Authority's financial statements. The financial position of the Foundation is as follows:

	2013	2012
Financial Position		
Total Assets	$ **159,575**	$ 144,688
Total Liabilities	**32,043**	27,774
Total Equity	**127,532**	116,914
Results of Operations		
Total Revenues	**133,141**	131,788
Total Expenses	**122,523**	106,788
Excess (Deficiency) of Revenues over Expenses	**10,618**	25,000

The total liabilities include an amount payable to Ausable Bayfield Conservation Authority in the amount of $16,975 (2012 - $13,839) for items purchased by the Authority, as well as contributions for education and barrier-free trails and facilities.

The total expenses include a contribution of $9,808 (2012 - $12,481) to the Ausable Bayfield Conservation Authority. There were also $36,628 (2012 - $24,011) in amounts that were received by the Ausable Bayfield Conservation Foundation, which were donated to the Ausable Bayfield Conservation Authority.