AUSABLE BAYFIELD CONSERVATION AUTHORITY

Financial Statements

Year Ended December 31, 2014

MACNEILL EDMUNDSON
PROFESSIONAL CORPORATION

AUSABLE BAYFIELD CONSERVATION AUTHORITY

Index to Financial Statements

Year Ended December 31, 2014

MACNEILL EDMUNDSON
PROFESSIONAL CORPORATION

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, 2014 and the statements of operations 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, 2014 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 19, 2015

PROFESSIONAL CORPORATION
CHARTERED PROFESSIONAL ACCOUNTANTS
Authorized to practise public accounting by the
Chartered Professional Accountants of Ontario

James B. MacNeill CPA, CA   Jeremy A. Giles CPA, CA   Robert F. Edmundson CPA, CA (Retired)

82 WELLINGTON STREET, LONDON, ONTARIO N6B 2K3 TEL 519.660.6060 FAX 519.672.6416 WEB www.meb.on.ca

AUSABLE BAYFIELD CONSERVATION AUTHORITY

Statement of Financial Position

December 31, 2014

	2014	2013
FINANCIAL ASSETS		
Cash	**$ 2,441,506**	$ 2,103,450
Marketable securities *(Note 5)*	**4,758,802**	-
Accounts receivable	**306,755**	389,193
Due from related party *(Note 9)*	**2,495**	16,975
	$ 7,509,558	$ 2,509,618
LIABILITIES		
Accounts payable	**$ 166,660**	$ 232,651
Deferred revenue *(Note 4)*	**889,966**	981,557
	1,056,626	1,214,208
NET FINANCIAL ASSETS	**$ 6,452,932**	$ 1,295,410
NON-FINANCIAL ASSETS		
Tangible capital assets *(Note 2)*	**5,790,212**	6,052,528
Prepaid expenses	**11,856**	16,912
	5,802,068	6,069,440
ACCUMULATED SURPLUS (note 8)	**$12,255,000**	$ 7,364,850

ON BEHALF OF THE BOARD

_______________ *Chair*

_______________ *Vice-Chair*

AUSABLE BAYFIELD CONSERVATION AUTHORITY
Statement of Operations
Year Ended December 31, 2014

	Budget 2014	**2014**	Restated 2013
REVENUES			
Partnership contribution	$ 498,456	**$ 1,134,045**	$ 612,977
Deferred revenue - prior year *(Note 4)*	947,738	**981,557**	1,355,014
General levy	880,610	**880,611**	868,624
Provincial grant	977,142	**820,533**	1,115,482
User fees	696,775	**707,545**	533,306
Special levy	486,324	**401,358**	425,116
Investment income	14,351	**62,677**	23,938
Rental	112,520	**53,975**	90,662
Unrealized gain (loss) on investments	-	**19,338**	-
Donations	2,200	**7,829**	17,817
Miscellaneous	-	**7,473**	3,232
Transfer from Reserve	55,000	**-**	-
Deferred revenue - current year *(Note 4)*	(486,372)	**(889,966)**	(981,557)
	4,184,744	**4,186,975**	4,064,611
EXPENDITURES			
Wages and benefits	2,104,139	**2,006,858**	2,110,130
Technical fees	739,795	**875,869**	811,177
Program supplies	201,248	**192,176**	173,457
Partnership commitments	194,627	**81,645**	383,244
Repairs and maintenance	346,029	**71,979**	90,677
Memberships, dues, and fees	62,680	**54,912**	45,833
Insurance	54,708	**53,652**	53,782
Utilities	55,542	**44,118**	46,096
Property taxes	41,820	**38,827**	37,544
Office	145,012	**29,955**	28,818
Advertising and promotion	14,259	**25,769**	15,002
Travel	20,818	**20,338**	24,485
Rental	26,362	**18,607**	18,213
Board of Directors	36,374	**16,634**	26,651
Training	23,649	**13,013**	21,542
Interest and bank charges	1,402	**175**	211
Bad debts	-	**-**	1,708
Transfer to Reserve	115,978	**-**	-
	4,184,442	**3,544,527**	3,888,570
ANNUAL SURPLUS FROM OPERATIONS	302	**642,448**	176,041
TANGIBLE CAPITAL ASSET ACTIVITY			
Gain on disposal of tangible capital assets	-	**4,429,150**	-
Capital levy	28,599	**28,599**	28,599
Amortization of tangible capital assets	(227,570)	**(210,047)**	(231,036)
Capital asset additions	(57,500)	**-**	-
	(256,471)	**4,247,702**	(202,437)
ANNUAL SURPLUS (DEFICIT)	(256,169)	**4,890,150**	(26,396)
ACCUMULATED SURPLUS, beginning of year *(Note 8)*	-	**7,364,850**	7,391,246
ACCUMULATED SURPLUS, end of year(note 8)	$ -	**$ 12,255,000**	$ 7,364,850

AUSABLE BAYFIELD CONSERVATION AUTHORITY

Statement of Change in Net Financial Assets

Year Ended December 31, 2014

	2014	2013
Annual surplus (deficit)	**$ 4,890,150**	$ (26,396)
Acquisition of tangible capital assets	**(55,084)**	(148,239)
Amortization of tangible capital assets	**210,047**	231,036
Loss (gain) on disposal of tangible capital assets	**(4,429,150)**	-
Proceeds on disposal of tangible capital assets	**4,536,503**	-
Subtotal	**5,152,466**	56,401
Acquisition of prepaid expense	**(11,856)**	(16,912)
Use of prepaid expense	**16,912**	10,936
Change in net financial assets	**$ 5,157,522**	$ 50,425
Net financial assets, beginning of year	**$ 1,295,410**	$ 1,244,985
Net financial assets, end of year	**$ 6,452,932**	$ 1,295,410

AUSABLE BAYFIELD CONSERVATION AUTHORITY

Statement of Cash Flows

Year Ended December 31, 2014

	2014	2013 *Revised*
OPERATING ACTIVITIES		
Annual surplus (deficit)	**$ 4,890,150**	$ (26,396)
Items not affecting cash:		
Amortization of tangible capital assets	**210,047**	231,036
Gain on disposal of tangible capital assets	**(4,429,150)**	-
Unrealized gain (loss) on investments	**(19,338)**	-
	651,709	204,640
Changes in non-cash working capital:		
Accounts receivable	**82,438**	117,810
Accounts payable	**(65,992)**	34,225
Deferred revenue *(Note 4)*	**(91,591)**	(373,457)
Acquisition of prepaid expense	**5,056**	(5,976)
Due to (from) related parties	**14,480**	(3,136)
	(55,609)	(230,534)
Cash flow from (used by) operating activities	**596,100**	(25,894)
CAPITAL ACTIVITIES		
Proceeds on disposal of tangible capital assets	**4,536,503**	-
Purchase of tangible capital assets	**(55,084)**	(148,239)
Cash flow from (used by) capital activities	**4,481,419**	(148,239)
INVESTING ACTIVITY		
Purchase of marketable securities	**(4,739,464)**	-
INCREASE (DECREASE) IN CASH FLOW	**338,055**	(174,133)
Cash - beginning of year	**2,103,450**	2,277,583
CASH - END OF YEAR	**$ 2,441,505**	$ 2,103,450

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 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 internally restricted surpluses *(Note 8)*.

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 or 75 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.

Investments

The marketable securities (consisting of equities, bonds, mutual funds and cash) are recorded at their current market value. Realized and unrealized gains and losses, arising on the recognition of market value, are recorded in the year that they occur.

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	**2014 Net book value**	2013 Net book value
Land	$ 2,245,211	$ -	**$ 2,245,211**	$ 2,345,291
Land improvements	260,900	209,284	**51,616**	57,578
Buildings	1,900,303	783,981	**1,116,322**	1,154,101
Motor vehicles	162,550	122,373	**40,177**	66,286
Computer equipment	264,537	201,415	**63,122**	74,898
Equipment	195,673	137,023	**58,650**	29,522
Furniture and fixtures	87,910	72,003	**15,907**	24,281
Flood and erosion control structures and trails	6,312,176	4,112,969	**2,199,207**	2,300,571
	$11,429,260	$ 5,639,048	**$ 5,790,212**	$ 6,052,528

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:

	2014	2013
Drinking Water Source Protection	**$ 241,499**	$ 294,505
Project grants	**195,249**	161,549
Part IV Enforcement	**150,225**	-
Special levy	**56,672**	37,904
User fees	**39,308**	15,545
Partnership contributions	**207,013**	464,554
Donations	**-**	7,500
	$ 889,966	$ 981,557

5. MARKETABLE SECURITIES

The marketable securities consist of the following:

	2014	2013
Cash and equivalents	**$ 490,040**	$ -
Certificates of Deposit	**2,264,005**	-
Equity Mutual Funds	**1,610,439**	-
Fixed Income Mutual Funds	**394,318**	-
	$ 4,758,802	$ -

6. BUDGET FIGURES

The unaudited budget figures that were included as comparative amounts are those as approved by the Board of Directors during the February 20, 2014 meeting.

7. 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
2015	$ 15,000	$ 1,800	$ 16,800
2016	15,000	1,800	16,800
2017	15,000	1,800	16,800
	$ 45,000	$ 5,400	$ 50,400

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 $3,644 (2013 - $1,301) was received for percentage rent.

8. ACCUMULATED SURPLUS

The accumulated surplus has been segregated into the following respective categories and are all internally restricted by either management or the Board of Directors.

	Balance 2013	Appropriations from Operations	Appropriations to Operations	Balance 2014
Internally restricted surplus				
Property Management	$ 212,591	$ 16,756	$ -	$ 229,347
Flood and Erosion Control Major Maintenance	438,570	31,318	(1,137)	468,751
Vehicles and Equipment	84,417	33,995	-	118,412
Barrier-Free Trails, Facilities	53,717	3,221	-	56,938
Outdoor Education	41,786	37,171	-	78,957
Administration IT	78,363	13,514	-	91,877
Stewardship Endowment	76,439	4,733,884	(85,968)	4,724,355
Administration Building	34,489	59,588	-	94,077
Operating Reserve	-	392,496	-	392,496
	$ 1,020,372	$ 5,321,943	$ (87,105)	$ 6,255,210
Tangible Capital Assets	6,052,529	55,084	(317,401)	5,790,212
Working capital	291,949	(55,084)	(27,287)	209,578
	$ 7,364,850	$ 5,321,943	$ (431,793)	$ 12,255,000

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. Additional funds were transferred in 2014, the majority of which related to the capital gain realized on the sale of properties during the year.

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

Operating Reserve - Internally restricted surpluses, relating to specific departments, to be used for future expenditures;

9. 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:

	2014	2013
Financial Position		
Total Assets	**$ 242,793**	$ 159,575
Total Liabilities	**34,392**	32,043
Total Net Assets	**208,401**	127,532
Results of Operations		
Total Revenues	**184,078**	133,141
Total Expenses	**103,209**	122,523
Excess (Deficiency) of Revenues over Expenses	**80,869**	10,618

The total liabilities include an amount payable to Ausable Bayfield Conservation Authority in the amount of $2,495 (2013 - $16,975) for items purchased by the Authority, as well as contributions for education and barrier-free trails and facilities.

The total expenses include contributions of $9,315 (2013 - $9,808) to the Ausable Bayfield Conservation Authority. There were also $24,310 (2013 - $36,628) in amounts that were received by the Ausable Bayfield Conservation Foundation, which were donated to the Ausable Bayfield Conservation Authority.