

Kawartha Land Trust
Financial Statements
For the year ended December 31, 2018

Contents

Independent Auditor's Report	2 - 3
Financial Statements	
Statement of Financial Position	4
Statement of Fund Balances	5
Statement of Operations	6
Statement of Cash Flows	7
Notes to the Financial Statements	8 - 15



Independent Auditor's Report

To the Board of Directors of
Kawartha Land Trust

Opinion

We have audited the accompanying financial statements of Kawartha Land Trust (the Trust), which comprise the statement of financial position as at December 31, 2018, and the statements of operations, fund balances and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Trust as at December 31, 2018, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. 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 Trust 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 opinion.

Other Matter

The financial statements of the Trust for the year ended December 31, 2017 were audited by another auditor who expressed an unmodified opinion on those statements on April 12, 2018.

Responsibilities of Management and Those Charged with Governance 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.

In preparing the financial statements, management is responsible for assessing the Trust'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 Trust or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Trust'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 generally accepted auditing standards 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 generally accepted auditing standards, 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 Trust'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 Trust'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 Trust 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.

Chartered Professional Accountants, Licensed Public Accountants
Peterborough, Ontario
May 30, 2019

Kawartha Land Trust Statement of Financial Position

December 31	Invested in Protected Lands Fund	Land Securement and Stewardship Funds	Operating Fund	Total 2018	Total 2017
Assets					
Current					
Cash and bank	\$ -	\$ -	\$ 395,942	\$ 395,942	\$ 374,892
Accounts and donations receivable (Note 2)	-	45,000	32,618	77,618	15,007
Prepaid expenses	-	-	10,181	10,181	6,499
Investments (Note 3)	-	1,973,641	-	1,973,641	1,468,488
Due to /(from) other funds	-	82,241	(82,241)	-	-
	-	2,100,882	356,500	2,457,382	1,864,886
Capital Assets (Note 4)	-	-	11,226	11,226	8,340
Protected Lands (Note 5)	9,804,835	-	-	9,804,835	6,893,654
	\$ 9,804,835	\$ 2,100,882	\$ 367,726	\$ 12,273,443	\$ 8,766,880
Liabilities and Fund Balances					
Current					
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 26,503	\$ 26,503	\$ 16,552
Statutory deductions payable	-	-	5,655	5,655	5,457
Deferred revenue (Note 6)	-	-	78,239	78,239	24,355
	-	-	110,397	110,397	46,364
Fund Balances					
Unrestricted	-	-	246,103	246,103	394,942
Internally restricted (Note 7)	-	1,006,834	-	1,006,834	518,138
Externally restricted (Note 7)	9,804,835	1,094,048	-	10,898,883	7,799,096
Invested in capital assets	-	-	11,226	11,226	8,340
	9,804,835	2,100,882	257,329	12,163,046	8,720,516
	\$ 9,804,835	\$ 2,100,882	\$ 367,726	\$ 12,273,443	\$ 8,766,880

On behalf of the Board:

Don Gillespie

Director

The accompanying notes are an integral part of these financial statements

Kawartha Land Trust Statement of Fund Balances

For the year ended December 31	Invested in Protected Lands Fund	Land Securement and Stewardship Fund	Operating Fund	Total 2018	Total 2017
Balance - beginning of year	\$ 6,893,654	\$ 1,423,580	\$ 403,282	\$ 8,720,516	\$ 8,292,226
Excess of Revenues Over Expenses	2,896,833	194,674	351,023	3,442,530	428,290
Interfund transfers - (Note 8)	14,348	482,628	(496,976)	-	-
Balance - end of year	\$ 9,804,835	\$ 2,100,882	\$ 257,329	\$12,163,046	\$ 8,720,516

The accompanying notes are an integral part of these financial statements

Kawartha Land Trust Statement of Operations

For the year ended December 31	Invested in Protected Lands Fund	Land Securement and Stewardship Fund	Operating Fund	Total 2018	Total 2017
Revenues					
Grants	\$ 215,000	\$ 13,000	\$ 384,828	\$ 612,828	\$ 408,009
Donations of land	2,674,275	-	-	2,674,275	265,000
Donations	11,140	253,800	438,763	703,703	172,064
Investment income	-	36,377	2,584	38,961	31,425
Unrealized gain/(loss) on investments	-	(55,017)	-	(55,017)	176
Other income	-	-	4,090	4,090	6,079
	2,900,415	248,160	830,265	3,978,840	882,753
Expenses					
Amortization	3,582	-	2,662	6,244	2,749
Community engagement	-	307	19,321	19,628	20,664
Community events	-	-	2,377	2,377	3,088
Fundraising	-	-	9,568	9,568	2,853
Land stewardship	-	14,642	51,467	66,109	39,562
Land securement	-	4,282	23,335	27,617	29,862
Operations	-	5,326	41,936	47,262	43,004
Professional fees	-	-	6,215	6,215	6,071
Salaries and benefits	-	28,929	322,361	351,290	306,610
	3,582	53,486	479,242	536,310	454,463
Excess of Revenues Over Expenses	\$ 2,896,833	\$ 194,674	\$ 351,023	\$ 3,442,530	\$ 428,290

The accompanying notes are an integral part of these financial statements

Kawartha Land Trust Statement of Cash Flows

For the year ended December 31	Invested in Protected Lands Fund	Land Securement and Stewardship Fund	Operating Fund	Total 2018	Total 2017
Cash Flows from Operating Activities					
Excess of revenues over expenses	\$ 2,896,833	\$ 194,674	\$ 351,023	\$ 3,442,530	\$ 428,290
Items not involving cash					
Amortization	3,582	-	2,662	6,244	2,749
Donation of land	(2,674,275)	-	-	(2,674,275)	(265,000)
	<u>226,140</u>	<u>194,674</u>	<u>353,685</u>	<u>774,499</u>	<u>166,039</u>
Changes in non-cash working capital balances					
Accounts and donations receivable	-	(45,000)	(17,612)	(62,612)	44,592
Prepaid expenses	-	-	(3,682)	(3,682)	(568)
Accounts payable and accrued liabilities	-	-	9,952	9,952	(6,352)
Statutory deductions payable	-	-	198	198	(429)
Deferred revenue	-	-	53,884	53,884	(44,807)
	<u>226,140</u>	<u>149,674</u>	<u>396,425</u>	<u>772,239</u>	<u>158,475</u>
Cash Flows from Investing Activities					
Investments	-	(149,674)	(355,478)	(505,152)	(46,298)
Purchase of capital assets	(226,140)	-	(19,897)	(246,037)	(4,322)
	<u>(226,140)</u>	<u>(149,674)</u>	<u>(375,375)</u>	<u>(751,189)</u>	<u>(50,620)</u>
Increase in cash resources	-	-	21,050	21,050	107,855
Cash and bank beginning of the year	-	-	374,892	374,892	267,037
Cash and bank end of the year	\$ -	\$ -	\$ 395,942	\$ 395,942	\$ 374,892

The accompanying notes are an integral part of these financial statements

Kawartha Land Trust

Notes to the Financial Statements

December 31, 2018

1. Summary of Significant Accounting Policies

a) Nature of the Entity

The Kawartha Land Trust ("the Trust") is a registered charity whose mission is caring for lands entrusted to it, and helping others protect the land they love in the Kawarthas. The Trust qualifies as a non-profit organization as defined in the federal and Ontario income tax acts, and accordingly is not subject to corporation income taxes.

b) Basis of Accounting

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

c) Fund Accounting

Kawartha Land Trust maintains its accounts in accordance with the principles of fund accounting using the Restricted Fund Method. Resources are classified for accounting and reporting purposes into funds according to the activity or objective specified.

The operating fund accounts for the organization's operating activities with respect to unrestricted resources and restricted operating grants.

Invested in Protected Lands Fund accounts for properties in fee simple or conservation easement agreement as well as any associated chattels that have been donated or purchased for those lands.

Land Securement and Stewardship Funds are comprised of externally restricted funds where the donor directs the monies be used for a specific cause or project as well as internally restricted funds for the maintenance of current properties and the cost of procurement of future properties.

d) Revenue Recognition

Restricted contributions related to general operations are recognized as revenue of the Operating Fund in the year in which the related expenses are incurred. All other restricted contributions are recognized as revenue of the Restricted Funds.

Unrestricted contributions are recognized as revenue of the Operating Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Investment income is recognized as received or receivable.

Kawartha Land Trust

Notes to the Financial Statements

December 31, 2018

1. Summary of Significant Accounting Policies (continued)

e) Financial Instruments

i) Measurement

The Trust initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions, which is measured at the exchange amount.

Subsequently, the Trust measures all its financial assets and financial liabilities at amortized cost plus accrued interest, except for investments in equity instruments that are quoted in an active market, which are measured at fair value.

Financial assets measured at amortized cost plus accrued interest include cash, accounts and donations receivable, and guaranteed investment certificates and interest-bearing savings accounts.

Financial assets measured at fair value include long-term investments in equities. Changes in fair value are recognized in net income.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities and statutory deductions payable.

ii) Impairment

Financial assets are tested for impairment when indicators of impairment exist. When a significant change in the expected timing or amount of the future cash flows of the financial asset is identified, the carrying amount of the financial asset is reduced and the amount of the write-down is recognized in net income. A previously recognized impairment loss may be reversed to the extent of the improvement, provided it is not greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously, and the amount of the reversal is recognized in net income.

iii) Transaction Costs

Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each balance sheet date and charged to the financial instrument for those measured at amortized cost.

f) Accounts and Donations Receivable

The organization records accounts receivable for amounts owing by a funder for approved expenditures incurred in the current year; and recognizes the HST/PST refund for expenditures paid or payable during the year. Donations, including pledges, are recognized when the amount is determinable, and ultimate collection is reasonably assured.

Kawartha Land Trust

Notes to the Financial Statements

December 31, 2018

1. Summary of Significant Accounting Policies (continued)

g) Capital Assets and Protected Lands

Furniture and chattels are recorded at acquisition cost; and amortized at the following rates:

Office	- Office furniture and equipment	- 5-year straight line
	- Computers and software	- 5-year straight line
Protected Lands	- Furniture and chattels	- 5-year straight line

Land gifted to the Trust for a donation receipt for the tax purposes of a donor is subject to extensive valuation, and carried at that fair value valuation amount. For those donations of lands or conservation agreements certified through the federal Ecological Gifts program, the Canadian Income Tax Act prohibits the transfer of such assets to an entity which is not a 'qualified donee' except with the approval of Environment Canada. For those few land gifts where a donation receipt is not sought and formal appraisal not obtained, the property is carried at management's best estimate of value.

Funding received to assist in land acquisition and fixed asset purchases is accounted for as grant or donation revenue, not as an offset to that acquisition. Costs incurred during the process of acquiring land or conservation agreements in gross are expensed to the statement of revenues and expenses of the Land Securement & Stewardship Fund during the acquisition period, provided monies are available in that fund. If monies are not available in that fund, such costs are expensed to the statement of operations of the Operating Fund.

h) Contributed Materials and Services

Volunteers contribute significant hours each year to assist the organization in carrying out its activities. Because of the difficulty of determining their fair value, these services are not recognized in the financial statements.

Contributed materials and services which are used in the normal course of the Trust's operations and would otherwise have been purchased are recorded at their fair value at the date of contribution if the fair value can be reasonably estimated.

i) 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 amounts of assets and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period.

Key areas where management has made complex or subjective judgments include determination of useful lives of capital assets and the related amortization expenses, and accounts payable and accrued liabilities.

Difference in actual results from prior estimates are taken into account at the time the differences are determined.

Kawartha Land Trust
Notes to the Financial Statements

December 31, 2018

2. Accounts and Donations Receivable

	2018	2017
Accounts receivable	\$ 32,618	\$ 15,007
Donations receivable	45,000	-
	\$ 77,618	\$ 15,007

All of the amounts in accounts receivable are in the normal course of business; for which the Trust has not set up an allowance for uncollectable accounts in 2018 (2017 -\$nil).

During 2018 two donations totaling \$45,000 were negotiated for stewardship of properties donated to the Trust in the year.

3. Investments

A portion of the investment is managed by a foundation whose mandate is to provide financial support for other not-for-profit organizations. The other portion is managed by a national securities company.

	2018	2017
Investments held in interest-bearing savings accounts, commercial notes, and guaranteed investment deposits, held at amortized cost plus accrued interest	\$ 1,307,427	\$ 1,162,080
Investments held in equities and marketable securities, held at fair market value	666,214	306,408
	\$ 1,973,641	\$ 1,468,488

The cost of the fair market value investments is \$713,894 (2017 - \$299,072). The Trust held \$142,166 (2017 - nil) in foreign investments which have been converted at a rate of 1.3642. The foreign exchange loss shown on the statement of operations is \$84 (2017 -\$nil).

Kawartha Land Trust
Notes to the Financial Statements

December 31, 2018

4. Capital Assets

	2018		2017	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Office furniture and equipment	\$ 13,916	\$ 12,674	\$ 12,564	\$ 12,564
Computers and software	20,078	10,094	15,882	7,542
	\$ 33,994	\$ 22,768	\$ 28,446	\$ 20,106
Net book value		\$ 11,226		\$ 8,340

5. Protected Lands

The Trust owns eleven (2017 - 7) properties in fee simple, which conveys full ownership to the organization.

The Trust also has the right to eight (2017 - 5) properties by conservation agreement in gross, in which the title to the property is held by the owner, but usage of the particular property is restricted or controlled by the Trust.

	2018		2017	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Fee simple	\$ 8,467,275	\$ -	\$ 5,769,000	\$ -
Conservation easement agreement	1,312,000	-	1,121,000	-
Furniture and chattels	39,205	13,645	13,717	10,063
	\$ 9,818,480	\$ 13,645	\$ 6,903,717	\$ 10,063
Net book value		\$ 9,804,835		\$ 6,893,654

Kawartha Land Trust Notes to the Financial Statements

December 31, 2018

6. Deferred Revenue

Deferred revenue is comprised of unspent operating grants. The availability of these funds in future periods is ultimately dependant upon various funding bodies, and as a result amounts included in deferred contributions may become repayable to the funder.

	Other Funding	Environment Canada	Ontario Trillium Foundation	Total
Opening balance	\$ 11,547	\$ 12,808	\$ -	\$ 24,355
Funding received	14,000	244,741	63,700	322,441
Amount earned	(20,355)	(248,202)	-	(268,557)
Ending balance	<u>\$ 5,192</u>	<u>\$ 9,347</u>	<u>\$ 63,700</u>	<u>\$ 78,239</u>

7. Restriction on Land Securement and Stewardship Funds

Contributions made to the Trust, where the donor directs the monies be used for a specific cause or project, are segregated into a restricted fund. The activity of such causes or projects is compiled and disclosed in a statement of revenues and expenses separate from the operating funds.

The Land Securement and Stewardship funds are made up of following internally and externally restricted funds:

	2018	2017
Kawartha Land Preservation Fund - internally restricted	\$ 495,636	\$ 13,007
Bentham Estate - internally restricted	511,198	505,131
Boyd Island Fund - externally restricted	831,772	894,473
Cowan Estate - externally restricted	242,736	-
Other Designated Property Funds - externally restricted	19,540	10,969
	<u>\$ 2,100,882</u>	<u>\$ 1,423,580</u>

8. Interfund Transfers

Amounts are transferred between funds to assist in fund cash flow as required and as approved by the Board of Directors.

Kawartha Land Trust
Notes to the Financial Statements

December 31, 2018

9. Commitments

The Trust has negotiated a three-year lease commencing April 1, 2016 for its premises, which requires future minimum lease payments of \$1,590 monthly, increasing 1.5 % annually. Subsequent to the year-end, the Trust negotiated a new three-year lease commencing April 1, 2019, which requires future minimum lease payments of \$1,637 monthly, increasing to \$1,680 and \$1,723 in the subsequent terms.

10. Financial Instrument Risk

The Trust's financial instruments consists of cash and bank, accounts and donations receivable, investments, accounts payable and accrued liabilities, and deferred revenue. The financial instruments are subject to several types of risk, the main components being:

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Trust is mainly exposed to interest rate risk and other price risk.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The organization is exposed to interest rate risk arising from the possibility that changes in interest rates will affect the value of fixed income denominated investments as described in Note 3.

Other Price Risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Trust is exposed to other price risk through its investments in quoted shares.

Credit Risk

Credit risk arises from the potential that a counterparty will fail to perform its obligation. The Trust is exposed to that risk from its funders. Due to the nature of the organization, the credit risk is minimized by the signed contracts received from recognized government and institutional funders prior to beginning the programs in question.

Kawartha Land Trust
Notes to the Financial Statements

December 31, 2018

10. Financial Instrument Risk (Continued)

The Trust's bank accounts are held at a Credit Union and the total amount on deposit exceeds the Deposit Insurance Corporation of Ontario (DICO). The Trust is subject to credit risk on the excess deposits over DICO coverage of \$250,000.

Changes in Risk

There have been no significant changes in the Trust's risk exposures from the prior year.

11. Subsequent Event and Contingency

Subsequent to year end an individual commenced legal proceedings against the Trust.

Neither the possible outcome nor the amount of a possible settlement, if any, can be foreseen. Therefore, no provision has been made in the financial statements.
