

Kawartha Land Trust
Financial Statements
For the year ended December 31, 2021

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, 2021, 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, 2021, 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.

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
June 13, 2022

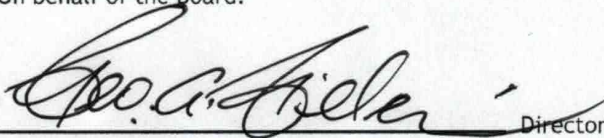
Kawartha Land Trust Statement of Financial Position

December 31	Invested in Protected Lands Fund	Land Securement and Stewardship Funds	Operating Fund	Total 2021	Total 2020
Assets					
Current					
Cash and bank	\$ -	\$ 452,218	\$ 177,741	\$ 629,959	\$ 733,762
Accounts and donations receivable (Note 2)	-	-	152,723	152,723	147,212
Prepaid expenses	-	-	34,562	34,562	40,541
Investments (Note 3)	-	2,210,075	300,000	2,510,075	2,039,782
	-	2,662,293	665,026	3,327,319	2,961,297
Capital Assets (Note 4)	-	-	8,044	8,044	10,108
Protected Lands (Note 5)	13,912,113	-	-	13,912,113	11,244,117
	\$13,912,113	\$ 2,662,293	\$ 673,070	\$17,247,476	\$ 14,215,522

Liabilities and Fund Balances

Current					
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 50,246	\$ 50,246	\$ 66,623
Statutory deductions payable	-	-	8,112	8,112	7,576
Deferred revenue (Note 6)	-	-	8,341	8,341	24,567
Deferred rent	-	-	6,000	6,000	-
	-	-	72,699	72,699	98,766
Fund Balances					
Unrestricted	-	-	592,327	592,327	599,675
Internally restricted (Note 7)	-	765,811	-	765,811	1,070,824
Externally restricted (Note 7)	13,912,113	1,896,482	-	15,808,595	12,436,149
Invested in capital assets	-	-	8,044	8,044	10,108
	13,912,113	2,662,293	600,371	17,174,777	14,116,756
	\$13,912,113	\$ 2,662,293	\$ 673,070	\$17,247,476	\$ 14,215,522

On behalf of the Board:


 _____ Director
 George Gillespie

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 2021	Total 2020
Balance - beginning of year	\$11,244,117	\$ 2,262,856	\$ 609,783	\$14,116,756	\$ 12,518,525
Excess of Revenues Over Expenses	2,649,796	109,002	299,223	3,058,021	1,598,232
Interfund transfers - (Note 8)	18,200	290,435	(308,635)	-	-
Balance - end of year	\$13,912,113	\$ 2,662,293	\$ 600,371	\$17,174,777	\$ 14,116,757

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 2021	Total 2020
Revenues					
Grants (Note 10)	\$ -	\$ 7,000	\$ 586,610	\$ 593,610	\$ 691,373
Donations of land	2,658,000	-	-	2,658,000	655,000
Donations	-	53,011	446,439	499,450	799,630
Investment income	-	73,840	2,724	76,564	46,910
Unrealized gain/(loss) on investments	-	101,518	-	101,518	20,687
Other income	-	-	39,543	39,543	16,067
	2,658,000	235,369	1,075,316	3,968,685	2,229,667
Expenses					
Amortization	8,204	-	5,099	13,303	9,210
Community engagement	-	1,129	16,483	17,612	21,374
Fundraising	-	-	41,112	41,112	7,918
Land stewardship	-	11,804	84,380	96,184	50,016
Land securement	-	2,990	45,263	48,253	21,080
Operations	-	6,402	78,287	84,689	70,079
Professional fees	-	95,146	6,142	101,288	61,017
Salaries and benefits	-	8,896	499,327	508,223	390,741
	8,204	126,367	776,093	910,664	631,435
Excess of Revenues Over Expenses	\$ 2,649,796	\$ 109,002	\$ 299,223	\$ 3,058,021	\$ 1,598,232

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 2021	Total 2020
Cash Flows from Operating Activities					
Excess of revenues over expenses	\$ 2,649,796	\$ 109,002	\$ 299,223	\$ 3,058,021	\$ 1,598,231
Items not involving cash					
Amortization	8,204	-	5,099	13,303	9,210
Donation of land	(2,658,000)	-	-	(2,658,000)	(655,000)
	-	109,002	304,322	413,324	952,441
Changes in non-cash working capital balances					
Accounts and donations receivable	-	40,000	(45,511)	(5,511)	(65,756)
Prepaid expenses	-	-	5,979	5,979	(35,170)
Accounts payable and accrued liabilities	-	-	(16,377)	(16,377)	49,615
Statutory deductions payable	-	-	536	536	2,866
Deferred revenue	-	-	(10,226)	(10,226)	12,430
Due to /from other funds	-	183,074	(183,074)	-	-
	-	332,076	55,649	387,725	916,426
Cash Flows from Investing Activities					
Investments	-	(170,293)	(300,000)	(470,293)	186,912
Purchase of capital assets	-	-	(3,035)	(3,035)	(9,944)
Purchase of protected lands and chattels	(18,200)	-	-	(18,200)	(747,018)
	(18,200)	(170,293)	(303,035)	(491,528)	(570,050)
Cash Flows from Financing Activities					
Interfund transfer	18,200	290,435	(308,635)	-	-
Increase in cash resources	-	452,218	(556,021)	(103,803)	346,376
Cash and bank beginning of the year	-	-	733,762	733,762	387,386
Cash and bank end of the year	\$ -	\$ 452,218	\$ 177,741	\$ 629,959	\$ 733,762

The accompanying notes are an integral part of these financial statements

Kawartha Land Trust

Notes to the Financial Statements

December 31, 2021

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 which includes land securement and stewardship 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, 2021

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 are 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, 2021

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, accounts and donations receivable 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, 2021

1. Summary of Significant Accounting Policies (continued)

j) Government Assistance

Government assistance received during the year for current expenses is included in the determination of net income for the year.

2. Accounts and Donations Receivable

	2021	2020
Accounts receivable	\$ 152,723	\$ 107,212
Donations receivable	-	40,000
	\$ 152,723	\$ 147,212

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 2021 (2020 - \$nil).

During 2018 two donations totaling \$45,000 were negotiated for stewardship of properties donated to the Trust in the year. During 2021, \$30,389 (2020 - \$0) was collected on these accounts while the other \$9,611 was written off per a debt settlement agreement.

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 held by a national securities company and a credit union.

	2021	2020
Investments held in interest-bearing savings accounts, commercial notes, and guaranteed investment deposits, held at amortized cost plus accrued interest	\$ 1,782,313	\$ 1,453,611
Investments held in equities and marketable securities, held at fair market value	727,762	586,171
	\$ 2,510,075	\$ 2,039,782

The cost of the fair market value investments is \$580,780 (2020 - \$540,706).

The guaranteed investment deposits held at the credit union mature throughout 2022 with interest rates of 0.3%. The guaranteed investment deposits held by a national securities company mature throughout 2022, 2023 and 2024 with interest rates ranging from 1.20% to 5.25%.

Kawartha Land Trust
Notes to the Financial Statements

December 31, 2021

4. Capital Assets

	2021		2020	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Office furniture and equipment	\$ 15,093	\$ 13,806	\$ 15,093	\$ 13,295
Computers and software	28,087	21,330	25,052	16,742
	\$ 43,180	\$ 35,136	\$ 40,145	\$ 30,037
Net book value		\$ 8,044		\$ 10,108

5. Protected Lands

The Trust owns twenty-three (2020 - sixteen) properties in fee simple, which conveys full ownership to the organization.

The Trust also has the right to eight (2020 - eight) 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.

	2021		2020	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Fee simple	\$12,572,293	\$ -	\$ 9,914,293	\$ -
Conservation easement agreement	1,312,000	-	1,312,000	-
Furniture and chattels	61,198	33,378	42,998	25,174
	\$13,945,491	\$ 33,378	\$ 11,269,291	\$ 25,174
Net book value		\$13,912,113		\$ 11,244,117

Kawartha Land Trust Notes to the Financial Statements

December 31, 2021

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	Parks Canada	Ontario Trillium Foundation	Total
Opening balance	\$ 20	\$ 7,328	\$ 17,219	\$ 24,567
Funding received	27,135	10,000	127,400	164,535
Amount earned	(19,183)	(16,959)	(144,619)	(180,761)
Ending balance	<u>\$ 7,972</u>	<u>\$ 369</u>	<u>\$ -</u>	<u>\$ 8,341</u>

7. Land Securement and Stewardship Funds

	2021	2020
Boyd Island Fund - externally restricted	\$ 1,095,570	\$ 950,133
Cowan Estate - externally restricted	226,724	228,806
Kawartha Land Stewardship Fund - internally restricted	765,811	650,261
Kawartha Land Securement Fund - internally restricted	561,606	-
Bentham Estate - internally restricted	-	250,563
Protected Lands - internally restricted	-	170,000
Other Designated Property Funds - externally restricted	12,582	13,093
	<u>\$ 2,662,293</u>	<u>\$ 2,262,856</u>

Effective December 31, 2021, the Board has established a new fund called the Kawartha Land Securement Fund. The objectives of the fund are generally to provide a stable and ongoing stream of funding in order to pursue new and emerging land securement opportunities. In order to capitalize the fund, the Board has determined that the Bentham Estate (\$241,606) and the Protected Lands (\$170,000) funds were intended for this type of purpose. In addition, the Board transferred \$150,000 from the current year's operating excess of revenues over expenses to this fund. As a result, the fund commenced with a balance of \$561,606. Concurrent with this new fund, the Board changed the name of the former Kawartha Land Preservation Fund to the Kawartha Land Stewardship Fund.

Kawartha Land Trust
Notes to the Financial Statements

December 31, 2021

8. Interfund Transfers

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

9. Commitments

The Trust has negotiated a three-year lease commencing April 1, 2019, which renews on March 31, 2022, for its premises. Subsequent to year-end, the Trust negotiated a new three-year lease commencing April 1, 2022 to March 31, 2025, which requires future minimum lease payments of \$1,723 monthly in the current year, increasing 1.5% annually. Minimum lease payments will increase to \$1,766 in the subsequent term.

10. Grant Revenue

The breakdown of grant income is as follows:

	<u>2021</u>	<u>2020</u>
Foundations	\$ 256,773	\$ 452,000
Ontario Trillium Foundation	144,619	115,075
Canada Emergency Wage Subsidy	58,074	97,421
Other Federal grants	126,644	10,512
Other grants	7,500	16,365
	<u>\$ 593,610</u>	<u>\$ 691,373</u>

11. 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.

Kawartha Land Trust
Notes to the Financial Statements

December 31, 2021

11. Financial Instrument Risk (Continued)

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.

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.

12. Contingency

There was two outstanding claims against the Trust.

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

13. COVID-19 Impact

On January 30, 2020, the World Health Organization announced a global health emergency because of a new strain of coronavirus, the "COVID-19 outbreak". In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

During fiscal 2021 the Trust was able to continue normal operations. There were minimal decreases in normal funding sources and the organization was able to secure funding through a designated campaign to raise funds for the purchase of a protected land. The Trust received Canada Emergency Subsidy in the months that the general donations were impacted. No other COVID funding was applied for or received.
