

Kawartha Land Trust
Financial Statements
For the year ended December 31, 2017



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KAWARTHA LAND TRUST

Protecting the land you love.

Management's Responsibility for Financial Information

The financial information and all information contained in this annual report were compiled by the management of the Kawartha Land Trust, which is responsible for the integrity and fairness of the information presented. The information provided herein has, in the opinion of management, been prepared using appropriate accounting policies; and is based on informed judgments and estimates of the expected effects of current events and transactions that comply with Canadian accounting standards for not-for-profit organizations and are in accordance with Canadian generally accepted accounting principles.

Management maintains the necessary system of internal controls to provide reasonable assurance that transactions are authorized, assets safeguarded and proper records maintained. These controls include quality standards in hiring and training employees, policies and procedures, a corporate code of conduct and accountability for performance within appropriate and well-defined areas of responsibility.

The Board of Directors, acting through the Finance and Audit Committee, oversees management's responsibilities for the financial statements. The Finance and Audit Committee conducts a detailed review of the financial statements with management and the external auditors before recommending their approval. The Finance and Audit Committee reviews all related party transactions and ensures any such transactions that might materially affect the stability or solvency of the organization are identified and reported to the Board. Ultimately, and notwithstanding management's role, it is the Board of Directors that is accountable for the operations of the organization. The Board of Directors is composed entirely of directors who are neither management nor employees of the organization.

Steven C Bark Professional Corporation, external auditors appointed by the Board of Directors, have examined the financial statements of the organization in accordance with Canadian accounting standards for not-for-profit organizations. The auditors have full and free access to, and meet as deemed required with, the Board of Directors and management to discuss their audit and matters relating to financial statement presentation, internal controls and audit procedures.

Michael Hendren
Executive Director
Peterborough, ON
April 12, 2018

Don Gillespie
Treasurer
Peterborough, ON
April 12, 2018



STEVEN C BARK PROFESSIONAL CORPORATION
CHARTERED PROFESSIONAL ACCOUNTANTS

Independent Auditor's Report

**To the Board of Directors of
Kawartha Land Trust**

Report on Financial Statements

We have audited the accompanying financial statements of Kawartha Land Trust, which are comprised of the statement of financial position as at December 31, 2017, and the statements of fund balances, revenues and expenses, 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 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.

Auditor's Responsibility

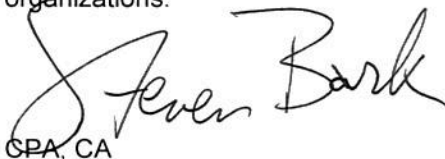
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable 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 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 Kawartha Land Trust as at December 31, 2017 and its financial performance and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.



CPA, CA

Steven C Bark Professional Corporation

Authorized to Practise Public Accounting by
the Chartered Professional Accountants of Ontario

Peterborough, Ontario
April 12, 2018

Kawartha Land Trust Statement of Financial Position

December 31	2017	2016
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Assets

Current

Cash - Notes 3 and 16	\$ 374,892	\$ 267,037
Accounts and pledges receivable - Notes 3, 5, 16 and 17	15,007	59,598
Prepaid expenses	6,499	5,930

	396,398	332,565
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Investments - Notes 3, 6, 16 and 18	1,468,488	1,422,191
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Capital Assets - Notes 7 and 19	8,340	5,724
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Protected Lands - Notes 7 and 20	6,893,654	6,629,698
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	\$ 8,766,880	\$ 8,390,178
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Liabilities and Fund Balance

Current

Accounts payable and accrued liabilities - Notes 3, 16 and 21	\$ 16,552	\$ 22,904
Statutory deductions payable - Notes 3, 16 and 21	5,457	5,886
Deferred contributions - Notes 3, 8 and 22	24,355	69,162

	46,364	97,952
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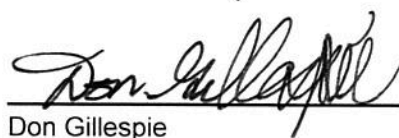
Fund Balances - Note 9

Invested in protected lands	6,893,654	6,629,698
Land securement and stewardship fund - Note 23	1,423,580	1,439,348
Operating fund	403,282	223,180

	8,720,516	8,292,226
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	\$ 8,766,880	\$ 8,390,178
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On behalf of the Board:



 Don Gillespie

Director

The accompanying notes are an integral part of these financial statements



STEVEN C. BARK
PROFESSIONAL CORPORATION
CHARTERED PROFESSIONAL ACCOUNTANTS

Kawartha Land Trust Statement of Fund Balances

For the year ended December 31				2017	2016
	Invested in Protected Lands	Land Securement & Stewardship	Operating Fund	Total	Total
Balance - beginning of the year	\$ 6,629,698	\$ 1,439,348	\$ 223,180	\$ 8,292,226	\$ 7,767,579
Excess of Revenues Over Expenses	263,956	(15,768)	180,102	428,290	524,647
Interfund transfers -					
Balance - end of the year	\$ 6,893,654	\$ 1,423,580	\$ 403,282	\$ 8,720,516	\$ 8,292,226

The accompanying notes are an integral part of these financial statements

Kawartha Land Trust

Statement of Revenues and Expenses

For the year ended December 31			2017		2016	
	Invested in Protected Lands	Land Securement & Stewardship	Operating Fund	Total		Total
Revenues - Note 10						
Grants	\$	\$	\$ 408,009	\$ 408,009	\$	281,827
Donation of land	265,000			265,000		
Donations		6,717	165,347	172,064		640,420
Investment income		30,800	625	31,425		17,691
Fair value change		176		176		7,237
Other income			6,079	6,079		6,996
	265,000	37,693	580,060	882,753		954,171
Expenses						
Amortization	1,044		1,705	2,749		1,489
Community engagement		409	20,255	20,664		28,648
Community events		898	2,190	3,088		24,776
Fundraising			2,853	2,853		5,193
Land stewardship		12,480	27,082	39,562		35,075
Land securement		60	29,802	29,862		11,517
Operations		4,365	38,639	43,004		43,488
Professional fees		468	5,603	6,071		4,691
Salaries and benefits		34,781	271,829	306,610		274,647
	1,044	53,461	399,958	454,463		429,524
Excess of Revenues						
Over Expenses	\$ 263,956	\$ (15,768)	\$ 180,102	\$ 428,290	\$	524,647

The accompanying notes are an integral part of these financial statements

Kawartha Land Trust Statement of Cash Flows

For the period ended December 31	2017	2016
Cash Flows from Operating Activities		
Net income	\$ 428,290	\$ 524,647
Items not involving cash		
Amortization of capital assets	1,705	987
Amortization of protected lands chattels	1,044	502
Donation of land	(265,000)	(5,200)
	<u>166,039</u>	<u>520,936</u>
Changes in non-cash working capital balances		
Accounts receivable	44,592	342,376
Prepaid expenses	(568)	(892)
Accounts payable and accrued liabilities	(6,352)	(50,557)
Statutory deductions payable	(429)	2,092
Deferred revenue	(44,807)	44,997
	<u>158,475</u>	<u>858,952</u>
Cash Flows from Investing Activities		
Investments	(46,298)	(1,412,191)
Purchase and donation of capital assets	(4,322)	(6,381)
	<u>(50,620)</u>	<u>(1,418,572)</u>
Increase in Cash	107,855	(559,620)
Cash - net - beginning of the period	267,037	826,657
Cash - net - end of the period	\$ 374,892	\$ 267,037

The accompanying notes are an integral part of these financial statements

Kawartha Land Trust

Organization Information and Significant Accounting Policies

December 31, 2017

1. Nature of Entity

The Kawartha Land Trust ["the Trust"] is a registered charity whose mission is caring for lands entrusted to us, 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.

2. Accounting Standards

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and are in accordance with Canadian generally accepted accounting principles.

3. Financial Instruments

a) Measurement

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

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 pledges receivable, and guaranteed investment certificates and interest-bearing savings accounts. Any decline in value of investments carried at amortized cost are written off to income of the current year's operations.

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 bank indebtedness, accounts payable and accrued liabilities, statutory deductions payable, and long-term debt. Any decline in value of these liabilities is adjusted to income of the current year's operations.

b) Impairment

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in net income. The previously recognized impairment loss may be reversed to the extent of a recovery in value, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in net income.

c) Transaction Costs

The Trust recognizes its transaction costs in net income in the period incurred. However financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance, or assumption.

Kawartha Land Trust

Organization Information and Significant Accounting Policies

December 31, 2017

4. Management Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles 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.

5. Accounts and Pledges 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.

6. Investments

Investment income is recognized as received or receivable.

7. Capital Assets and Protected Lands

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

Office	- Furniture and equipment	- 5-year straight line
	- Computers and software	- 5-year straight line
Protected Lands	- 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 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 revenues and expenses of the Operating Fund.

Kawartha Land Trust

Organization Information and Significant Accounting Policies

December 31, 2017

8. Deferred Contributions

Deferred contributions is the amount which represents an excess of funding received for specific programs over expenditures made to the year end for those programs. [also see Note 10]

9. Fund Balances

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 cause or project is compiled and disclosed in a statement of revenues and expenses separate from the operating funds.

10. Revenue Recognition

The Trust follows the deferral method of accounting for contributions. Unrestricted contributions, and restricted contributions made without reference to specific expenditures or programs, are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. [also see Note 8]

11. Donated Goods and Services

The value of donated goods and services are not reflected in the financial statements.

Kawartha Land Trust Financial Instruments Analysis

December 31, 2017

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

12. Fair Value Risk

The fair values of the Trust's cash, accounts and pledges receivable, accounts payable and accrued liabilities, and statutory deductions payable approximates their carrying amounts.

The fair value of investments held at cost approximates their carrying value due to their short-term realization or maturity period, and as the interest rate does not differ significantly from the current market rates available to the Trust for similar instruments.

The fair value of other investments is market value, which represents the closing market price for the equities held. The Trust funds are invested and managed by a national securities firm without hedging investments to alter the effects of this risk.

13. 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.

14. Liquidity Risk

Liquidity risk is the risk that the Trust cannot meet its obligations to its creditors when they come due. The Trust reduces its exposure to liquidity risk by looking for new funding programs for current operating expenditures from individuals, government agencies, and other non-profit organizations; and constantly monitors cash inflow and outflow activity.

15. Changes in Risk

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

Kawartha Land Trust

Notes to the Financial Statements

December 31, 2017

16. Financial Instruments

The definition of the Trust's financial instruments, and the basis of value at which they are held, is disclosed in Note 3 (a).

17. Accounts and Pledges Receivable

	2017	2016
Accounts receivable	\$ 15,007	\$ 34,548
Pledges receivable	-	25,050
	<u>\$ 15,007</u>	<u>\$ 59,598</u>

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 2017 [2016 : nil].

During the negotiations for the Boyd Island acquisition in the 2015 year, management decided that responsible stewardship of that land would require significant funds; and a successful funding-raising campaign was deemed to be a prerequisite to acquiring the property. The Trust reached the funding goal; and at the end of 2017 all pledges receivable had been collected.

During 2017 two pledges totalling \$72,000 were negotiated for stewardship and general expenditures of the organization in maintaining lands currently held and to be acquired. The payment period of the pledges cannot be determined with certainty. To date the amount of those pledges recognized in revenue is \$nil.

18. 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.

Investments held in interest-bearing savings accounts, commercial notes, and guaranteed investment deposits, held at amortized cost plus accrued interest

\$ 1,162,080 \$ 1,209,680

Investments held in equities and marketable securities, held at fair market value

306,408 212,511

\$ 1,468,488 \$ 1,422,191

The cost of the fair market value investments is \$299,072 [2016 : \$205,274]

Kawartha Land Trust Notes to the Financial Statements

December 31, 2017

19. Capital Assets

	2017		2016	
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Cost</u>	<u>Accumulated Amortization</u>
Office furniture and equipment	\$ 12,564	\$ 12,564	\$ 12,564	\$ 12,564
Computers and software	15,882	7,542	11,561	5,837
	<u>\$ 28,446</u>	<u>\$ 20,106</u>	<u>\$ 24,125</u>	<u>\$ 18,401</u>
Net book value		\$ 8,340		\$ 5,724

20. Protected Lands

The Trust owns seven properties in fee simple, which conveys full ownership to the organization.

The Trust also has the right to five 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.

	2017		2016	
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Cost</u>	<u>Accumulated Amortization</u>
Fee simple	\$ 5,769,000	\$ -	\$ 5,504,000	\$ -
Conservation easement agreement	1,121,000	-	1,121,000	-
Furniture and chattels	13,717	10,063	13,717	9,019
	<u>\$ 6,903,717</u>	<u>\$ 10,063</u>	<u>\$ 6,638,717</u>	<u>\$ 9,019</u>
Net book value		\$ 6,893,654		\$ 6,629,698

21. Accounts Payable and Accrued Liabilities and Statutory Deductions Payable

All of the amounts in accounts payable and accrued liabilities are trade liabilities or accruals in the normal course of business. Statutory deductions are comprised of payroll withholdings, which are current.

22. Deferred Contributions

Deferred contributions are 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.

	<u>Other Funding</u>	<u>Enviro Canada</u>	<u>Trillium</u>	<u>Duck Club</u>	<u>Total</u>
Opening balance	\$ 6,375	\$ 4,518	\$ 54,180	\$ 4,089	\$ 69,162
Funding received	7,000	93,950	7,100	4,000	112,050
Amount earned	(5,828)	(85,660)	(61,280)	(4,089)	(156,857)
Ending balance	\$ 7,547	\$ 12,808	\$ -	\$ 4,000	\$ 24,355



STEVEN C BARK
PROFESSIONAL CORPORATION
CHARTERED PROFESSIONAL ACCOUNTANTS

Kawartha Land Trust Notes to the Financial Statements

December 31, 2017

23. Restriction on Land Securement & Stewardship Fund

The Land Securement & Stewardship fund is made up of following internally and externally restricted funds.

	2017	2016
Kawartha Land Preservation Fund - internally restricted	\$ 13,007	\$ 13,007
Boyd Island Fund - externally restricted	894,473	914,163
Bentham Estate - internally restricted	505,131	501,069
Other Designated Property Funds - externally restricted	10,969	11,109
	\$ 1,423,580	\$ 1,439,348

24. Funds Transfers

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

25. Commitments

The Trust has negotiated a three-year lease commencing April 1, 2016 for its premises, which requires future minimum lease payments of \$1,566 plus HST monthly, increasing 1.5 % annually.
