

Muskoka Conservancy
Financial Statements
For the year ended December 31, 2022

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Independent Auditor's Report

To the Board of Directors of Muskoka Conservancy

Qualified Opinion

We have audited the accompanying financial statements of Muskoka Conservancy (the Organization) which comprise the statement of financial position as at December 31, 2022, and the statement of operations, statement of changes in net assets and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2022, 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 Qualified Opinion

In common with many not-for-profit organizations, Muskoka Conservancy derives revenue from donations and fundraising activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Muskoka Conservancy. Therefore, we were not able to determine whether any adjustments might be necessary to donations and fundraising revenue, excess of revenues over expenses, and cash flows from operations for the years ended December 31, 2022 and December 31, 2021, current assets as at December 31, 2022 and December 31, 2021, and net assets as at January 1 and December 31 for both the 2022 and 2021 years. Our audit opinion on the statements for the year ended December 31, 2021 was modified accordingly because of the possible effects of this limitation in scope.

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 Organization 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 qualified audit opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 Organization'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 Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization'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 Organization'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 Organization'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 Organization 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.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants
Bracebridge, Ontario
May 12, 2023

Muskoka Conservancy Statement of Financial Position

December 31	2022	2021
Assets		
Current		
Cash (overdraft)	\$ 100,532	\$ (51,897)
Cash - internally restricted legacy fund (Note 8)	803,227	793,227
Short-term investments	822,244	934,425
Accounts receivable	35,862	9,084
Inventory	7,776	10,088
	<u>1,769,641</u>	<u>1,694,927</u>
Restricted cash and investments (Note 2)	1,337,054	1,341,241
Tangible capital assets (Note 3)	3,948	1,605
Nature reserves (Note 4)	19,980,126	13,495,693
Conservation easements (Note 5)	6,578,686	6,578,686
	<u>\$ 29,669,455</u>	<u>\$ 23,112,152</u>
Liabilities		
Current		
Accounts payable and accrued liabilities (Note 6)	\$ 47,490	\$ 26,822
Deferred contributions (Notes 2 & 7)	1,337,054	1,336,240
	<u>1,384,544</u>	<u>1,363,062</u>
Net assets		
Invested in nature reserves and easements	26,558,811	20,074,379
Internally restricted net assets - legacy fund (Note 8)	803,227	793,227
Restricted for endowment purposes (Note 2)	5,000	5,000
Unrestricted	917,873	876,484
	<u>28,284,911</u>	<u>21,749,090</u>
	<u>\$ 29,669,455</u>	<u>\$ 23,112,152</u>

On behalf of the Board:

DocuSigned by:

 9958DC26495A415... Director

DocuSigned by:

 D528CEE595B3480... Executive Director

Muskoka Conservancy

Statement of Changes in Net Assets

For the year ended December 31	Internally Restricted 2022	Unrestricted 2022	Restricted for Endowment 2022	Nature Reserves and Easements 2022	Total 2022	Total 2021
Balance, beginning of year	\$ 793,227	\$ 876,484	\$ 5,000	\$ 20,074,379	\$ 21,749,092	\$ 17,358,814
Excess of revenue over expenses for the year	10,000	41,389	-	-	51,389	516,569
Contributed land	-	-	-	6,470,000	6,470,000	3,725,000
Land purchased	-	-	-	14,432	14,432	148,709
Balance, end of year	\$ 803,227	\$ 917,873	\$ 5,000	\$ 26,558,811	\$ 28,284,913	\$ 21,749,092

Muskoka Conservancy Statement of Operations

For the year ended December 31	2022	2021
Revenue		
Donations	\$ 286,713	\$ 371,429
Donations - in kind (Note 9)	-	613
Fundraising	590	133,873
Grants (Note 10)	41,263	23,656
Investment income	47,648	50,752
Gain (loss) on disposal of investments	10,374	29,728
Unrealized gain (loss) on investments	(151,358)	104,240
Memberships	70,499	33,483
Sale of products	8,098	3,466
Other	10,148	5,080
	323,975	756,320
Deferred contributions recognized (Note 7)	35,368	38,352
	359,343	794,672
Expenses		
Advertising	10,525	11,449
Amortization of tangible capital assets	1,608	661
Bank charges and interest	200	318
Cost of goods sold	11,443	1,992
Dues, fees and licenses	3,500	2,787
Fundraising costs	1,541	10,268
Insurance	6,299	10,298
MLA water quality expenses	16,235	27,948
Office and general	33,341	19,442
Professional fees	53,118	56,131
Property taxes	9,137	8,284
Rent	7,755	6,241
Telephone	660	1,493
Travel	4,809	1,115
Wages and benefits	147,783	119,676
	307,954	278,103
Excess of revenues over expenses for the year	\$ 51,389	\$ 516,569

Muskoka Conservancy Statement of Cash Flows

For the year ended December 31	2022	2021
Cash provided by (used in)		
Operating activities		
Excess of revenues over expenses for the year	\$ 51,389	\$ 516,569
Adjustments for		
Amortization of capital assets	1,608	661
Unrealized loss (gain) on investments	151,358	(104,240)
	<u>204,355</u>	412,990
Changes in non-cash working capital balances		
Short-term investments - plug	96,015	(96,971)
Accounts receivable	(26,778)	85,346
Inventory	2,312	847
Accounts payable and accrued liabilities	<u>20,668</u>	9,912
Investing activities		
Purchase of capital assets	(3,952)	(777)
Acquisition costs of nature reserves	(14,432)	-
Stock donations received	<u>(115,759)</u>	-
Financing activities		
Additional long-term debt	-	-
Repayment of long-term debt	<u>-</u>	(30,000)
Increase in cash during the year	162,429	381,347
Cash, beginning of year	<u>741,330</u>	<u>359,983</u>
Cash, end of year	\$ 903,759	\$ 741,330

Muskoka Conservancy

Notes to Financial Statements

December 31, 2022

1. Summary of Significant Accounting Policies

i) Nature and Purpose of Organization

Muskoka Conservancy ("organization") is incorporated without share capital under the laws of Canada. The organization shall be carried on without the purpose of gain for its members and any profits or accretions to the organization shall be used in promoting its objects.

The organization operates programs and performs research towards protection, preservation, and enhancement of Muskoka and adjacent areas for recreational use and enjoyment as a part of the natural heritage of Canada.

The organization is a registered charity and, as such, is exempt from income tax and may issue income tax receipts to donors.

ii) Basis of Accounting

These financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

iii) Revenue Recognition

The organization follows the deferral method of accounting for contributions.

Restricted contributions are recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue of the appropriate fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Endowment contributions are recognized as direct increases in net assets.

Restricted net investment income is recognized as revenue in the year in which the related expenses are incurred. Restricted net investment income that must be added to the principal amount of resources held for endowment is recognized as a direct increase in net assets. Unrestricted net investment income is recognized as revenue when earned.

Revenues from products sold are recognized when delivered to the customers.

iv) Inventory

Inventory is valued at the lower of cost and net realizable value. Cost is generally determined on a first-in, first-out basis.

v) Tangible Capital Assets

Tangible capital assets are stated at cost less accumulated amortization. Contributed tangible capital assets are recorded at fair value at the date of contribution and are amortized, unless fair value is not determinable in which case contributed tangible capital assets are recorded at nominal value at the date of contribution.

Amortization based on the estimated useful life of the asset is calculated as follows:

Computers and equipment	- 30 - 55% declining balance basis
Equipment	- 30% declining balance basis
Furniture and fixtures	- 20% declining balance basis

Muskoka Conservancy Notes to Financial Statements

December 31, 2022

1. Summary of Significant Accounting Policies (continued)

vi) Contributed Materials and Services

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

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

vii) Financial Instruments

Financial Instruments are recorded at fair value at initial recognition.

In subsequent periods, equities traded in an active market are reported at fair value, with any change in fair value reported in income. All other financial instruments are reported at cost or amortized cost less impairment. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items measured at fair value and charged to the financial instrument for those measured at amortized cost.

Financial assets are tested for impairment when indicators of impairment exist.

2. Restricted Cash and Investments

	2022	2021
Cash	\$ 16,255	\$ 42,463
Fixed income investments - maturing 2023 - 2028, with interest ranging from 1.4% to 6.625%	269,913	264,645
Portfolio shares	356,461	400,233
Mutual funds	53,199	64,813
Foreign securities	6,991	12,325
Cash and investment savings	629,235	551,762
Restricted cash and investments - general (Note 7)	1,332,054	1,336,241
Restricted investment - endowment	5,000	5,000
	\$ 1,337,054	\$ 1,341,241

The organization is exposed to interest rate risk on its fixed and floating interest rate financial instruments. The fair value of fixed rate instruments will fluctuate as market rates change.

The organization is exposed to market risk through its long-term investments which are held in portfolio shares and mutual fund markets.

The organization is exposed to credit risk arising from bank and investment accounts being held at one financial institution and deposits are only insured up to \$100,000.

Muskoka Conservancy

Notes to Financial Statements

December 31, 2022

3. Tangible Capital Assets

	2022		2021	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Computers and equipment	\$ 35,106	\$ 33,890	\$ 34,065	\$ 32,969
Equipment	11,114	11,083	11,114	11,071
Furniture and fixtures	4,439	1,738	1,529	1,063
	\$ 50,659	\$ 46,711	\$ 46,708	\$ 45,103
Net book value		\$ 3,948		\$ 1,605

Muskoka Conservancy

Notes to Financial Statements

December 31, 2022

4. Nature Reserves

	2022	2021
Browning Island, Town of Bracebridge	\$ 1,219,033	\$ 1,219,033
Catherine Brook, Town of Huntsville	85,000	85,000
Campbell-Mason, Township of Muskoka Lakes	3,016,533	3,016,533
Dyer Memorial, Town of Huntsville	264,575	264,575
Eileen Gowan Island, Town of Bracebridge	254,740	254,740
Grand Family Memorial, Townships of Muskoka Lakes	186,276	186,276
Bert Cross Family Nature Reserve, Town of Bracebridge	19,654	19,654
Indigo Marsh, Town of Huntsville	44,000	44,000
Island K, Township of Muskoka Lakes	2,025,104	2,025,104
Kahshe Sanctuary, Town of Gravenhurst	1,143	1,143
Kitty's Wish, Town of Huntsville	27,189	27,189
Loon Lake, Town of Gravenhurst	80,941	80,941
McLeans Bay, Town of Gravenhurst	188,500	188,500
Muskoka Delta, Town of Bracebridge	40,000	40,000
Musquash Road, Township of Muskoka Lakes	60,765	60,765
Nelson Head, Town of Huntsville	85,335	85,335
Pileated Ridge, Town of Huntsville	53,082	53,082
Pen Lake Farms, Township of Lake of Bays	211,303	211,303
Portage Lake, Township of Sequin	17,918	17,918
Robinson Lake, Town of Huntsville	39,744	39,744
Stream to Skeleton Lake, Village of Rosseau	70,529	70,529
Upjohn, Town of Bracebridge	127,113	127,113
Aufhaben, Parry Sound District	172,863	172,863
South Monck Nature Reserve, Town of Bracebridge	63,000	63,000
Bert and Millie's Marsh	105,000	105,000
Pinelands Bay, Township of Muskoka Lakes	1,030,565	1,030,565
Muskoka Welcome, Town of Gravenhurst	45,520	45,520
Muskoka Welcome 2, Town of Gravenhurst	46,039	46,039
Silver Doe, Town of Gravenhurst	40,520	40,520
3 Mile lake road, Town of Huntsville	146,181	146,181
Highland island, Lake Rosseau	3,526,559	3,526,559
Sage Creek, Town of Bracebridge	200,969	200,969
Highland Island part 4, Lake Rosseau	5,400,520	-
Fire Route A1, Town of Gravenhurst	5,000	-
Bear Cave, Township of Muskoka Lakes	1,078,913	-
	\$ 19,980,126	\$ 13,495,693

During the year, land was received by donation and appraised at \$6,470,000 (2021 - \$3,725,000).

Muskoka Conservancy Notes to Financial Statements

December 31, 2022

5. Conservation Easements

	<u>2022</u>	<u>2021</u>
Barisic, Town of Huntsville	\$ 1,092	\$ 1,092
Braaten, Township of Muskoka Lakes	1,028,500	1,028,500
Campbell-Mason, Township of Muskoka Lakes	606,952	606,952
Goering, Township of Lake of Bays	250,000	250,000
Island K, Township of Muskoka Lakes	1	1
Longline Lake, Township of Lake of Bays	3,000	3,000
Strawberry Mountain, Township of Lake of Bays	624,182	624,182
Turner Island, Township of Muskoka Lakes	2,006,315	2,006,315
Wolf Mountain, Township of Lake of Bays	693,500	693,500
Yoho Island, Township of Muskoka Lakes	575,000	575,000
Darker, Severn Township	1	1
Upjohn, Town of Bracebridge	6,396	6,396
Lischkoff, Township of Lake of Bays	168,211	168,211
Dahwamah Island, Township of Muskoka Lakes	615,536	615,536
	<u>\$ 6,578,686</u>	<u>\$ 6,578,686</u>

6. Accounts Payable and Accrued Liabilities

Included in accounts payable and accrued liabilities is \$Nil (2021 - \$2,484) in government remittances payable.

Muskoka Conservancy Notes to Financial Statements

December 31, 2022

7. Deferred Restricted Contributions

Deferred land maintenance and defence contributions represent externally restricted donations, grants and investment income received which have not been spent for the restricted purpose. The amount of revenue recognized during the year is based on expenses incurred to monitor and support stewardship activities of the nature reserves and conservation easements.

Deferred property acquisition contributions represent externally restricted grants and donations received which have not yet been spent for the restricted purpose. The amount of revenue recognized during the year is based on expenses incurred and associated with land acquisition.

Deferred general and grant contributions represent externally restricted donations and grants received which have not yet been spent for the restricted purpose. The amount of revenue recognized during the year is based on direct and indirect expenses incurred to administer specific projects.

Deferred Dyer Memorial funds were received as part of the transfer of the lands known as the Dyer Memorial. The funds are to be used for the maintenance and benefit of the monument and memorial site designated as Part 1 on Plan 35R-22980 and are held in a separate account.

The changes in deferred restricted contributions for the year are as follows:

	Land Maintenance and Defence	Property Acquisition	General and Grants	Dyer Memorial	Total 2022	Total 2021
Balance, beginning of year	\$ 106,776	\$ 387,192	\$ 49,333	\$ 792,939	\$ 1,336,240	\$ 1,247,001
Contributions received	-	100,000	21,335	-	121,335	183,264
Investment income earned	-	-	-	9,755	9,755	17,390
Realized gains (losses)	-	-	-	7,709	7,709	37,897
Unrealized gains (losses)	-	-	-	(88,184)	(88,184)	37,748
Contributions deferred	-	100,000	21,335	(70,720)	50,615	276,299
Recognized as revenue	-	-	(24,987)	(10,382)	(35,369)	(38,351)
Invested in nature reserves and easements	-	(14,432)	-	-	(14,432)	(148,709)
Contributions recognized	-	(14,432)	(24,987)	(10,382)	(49,801)	(187,060)
Balance, end of year	\$ 106,776	\$ 472,760	\$ 45,681	\$ 711,837	\$ 1,337,054	\$ 1,336,240

Muskoka Conservancy Notes to Financial Statements

December 31, 2022

7. Deferred Restricted Contributions (continued)

A further breakdown of certain deferred restricted contributions is as follows:

	<u>2022</u>	<u>2021</u>
Land maintenance and defence		
Maintenance and defence, general	\$ 18,914	\$ 18,914
Island K monitoring	13,080	13,080
McVittie monitoring	10,463	10,463
Cliffs Island monitoring	1,000	1,000
Tough technical fund	569	569
Bangor Lodge stewardship	11,750	11,750
Legal defence fund	1,000	1,000
Dahwamah island stewardship	50,000	50,000
Total maintenance and defence	<u>106,776</u>	<u>106,776</u>
Property acquisition	<u>472,760</u>	<u>387,192</u>
General and grants		
Private Landowner Stewardship (PSMSN)	21,849	21,849
MNRF fish habitat	442	442
MLA water quality	16,091	24,277
Little Sprouts	7,298	2,765
Total general and grants	<u>45,680</u>	<u>49,333</u>
Dyer Memorial fund	<u>711,838</u>	<u>792,939</u>
Total	<u>\$ 1,337,054</u>	<u>\$ 1,336,240</u>

8. Internally Restricted Net Assets

The internally restricted net assets are comprised of funds known as the legacy fund. This fund represents internally restricted donations and related investment revenues which have not yet been spent. These funds are to be used to support the ongoing operational budget for the purpose of maintaining the organization's ability to continue as a going concern with less reliance on external funding.

Muskoka Conservancy Notes to Financial Statements

December 31, 2022

9. Contributed Materials and Services

During the year Highland island part 4, Lake Rosseau and Bear Cave, Muskoka Lakes were donated to the organization (Note 4).

Contributed services are not recognized in the financial statements because of the difficulty in determining their fair value.

	<u>2022</u>	<u>2021</u>
Items for resale	\$ -	\$ 613
Nature reserves	<u>6,470,000</u>	<u>3,725,000</u>
	<u>\$ 6,470,000</u>	<u>\$ 3,725,613</u>

10. Grants

Sources of grant revenue recognized as revenue in the year are as follows:

	<u>2022</u>	<u>2021</u>
Federal	\$ 4,701	\$ 9,436
Private	<u>36,562</u>	<u>14,220</u>
	<u>\$ 41,263</u>	<u>\$ 23,656</u>
