

**Lake Simcoe Conservation Foundation
Financial Statements
Year ended December 31, 2022**

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Independent Auditor's Report

To the Members of Lake Simcoe Conservation Foundation

Qualified Opinion

We have audited the accompanying financial statements of Lake Simcoe Conservation Foundation (the "Foundation"), which comprise the statement of financial position as at December 31, 2022, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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 Foundation 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 charitable organizations, the Foundation derives revenue from fundraising and donations, 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 Foundation. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising and donation revenue, excess of revenues over expenses, and cash flows from operations for the years ended December 31, 2022 and 2021, current assets as at December 31, 2022 and 2021, and net assets as at January 1 and December 31 for both the 2022 and 2021 years. Our audit opinion on the financial 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 Foundation 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 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 Foundation'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 Foundation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Foundation'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 Foundation'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 Foundation'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 Foundation 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

Barrie, Ontario
May 31, 2023

**Lake Simcoe Conservation Foundation
Statement of Financial Position**

Year Ended December 31	2022	2021
Assets		
Current		
Cash and cash equivalents (Note 1)	\$ 1,646,719	\$ 1,828,016
Investments (Note 1 & 2)	638,250	-
Accounts receivables	67,886	12,471
Prepaid expenses	24,581	1,562
	<u>\$ 2,377,436</u>	<u>\$ 1,842,049</u>
Liabilities and Net Assets		
Current		
Accounts payable and accruals	\$ 6,837	\$ 13,734
Due to Lake Simcoe Region Conservation Authority	103,803	48,383
Deferred dinner revenues (Note 3)	28,400	13,600
Deferred grant revenues (Note 3)	68,647	8,505
Deferred campaign contributions (Note 3)	1,829,842	1,525,258
	<u>2,037,529</u>	<u>1,609,480</u>
Net Assets		
Unrestricted operating reserve	200,000	100,000
Internally restricted connect campaign reserve	3,123	-
Internally restricted program reserve	136,784	132,569
	<u>339,907</u>	<u>232,569</u>
	<u>\$ 2,377,436</u>	<u>\$ 1,842,049</u>

On behalf of the Board:

President

Secretary/Treasurer

See accompanying notes to the financial statements.

Lake Simcoe Conservation Foundation
Statement of Operations

Year Ended December 31	2022 Budget	2022 Actual	2021 Actual
Revenue			
Government and other grants	\$ 170,000	\$ 55,186	\$ 266,921
Investment and other income	-	28,512	68
Campaign sourced fundraising	984,120	333,165	407,110
Dinner fundraising	225,000	233,070	196,314
Unrealized loss on investments	-	(38,779)	-
Unrealized foreign exchange loss on investments	-	(8,555)	-
	<u>1,379,120</u>	<u>602,599</u>	<u>870,413</u>
Expenses			
Board	15,334	11,609	4,808
Legal and audit	4,000	5,693	4,500
Fundraising	132,135	170,387	154,702
Operating	147,225	111,883	82,940
	<u>298,694</u>	<u>299,572</u>	<u>246,950</u>
Net revenue before transfers	1,080,426	303,027	623,463
Transfers to Lake Simcoe Region Conservation Authority for remedial projects	295,800	195,689	432,008
Excess of revenue over expenses	<u>\$ 784,626</u>	<u>\$ 107,338</u>	<u>\$ 191,455</u>

See accompanying notes to the financial statements.

**Lake Simcoe Conservation Foundation
Statement of Cash Flows**

Year Ended December 31	2022	2021
Cash provided by (used in):		
Operating transactions:		
Excess of revenue over expenses	\$ 107,338	\$ 191,455
Non-cash changes to operations:		
(Increase) decrease in receivables and prepaid expenses	(78,434)	26,810
Increase (decrease) in accounts payable and accruals	48,523	(8,645)
Increase in deferred revenue	379,526	629,832
Total operating transactions:	456,953	839,452
Investing transactions:		
Purchase of investments	(638,250)	-
Increase (decrease) in cash and cash equivalents:	(181,297)	839,452
Cash and cash equivalents, beginning of year	1,828,016	988,564
Cash and cash equivalents, end of year	\$ 1,646,719	\$ 1,828,016
Supplemental cash flow information:		
Cash	\$ 1,107,642	\$ 1,828,016
Cash held in investments	539,077	-
	\$1,646,719	\$ 1,828,016

See accompanying notes to the financial statements.

**Lake Simcoe Conservation Foundation
Statement of Changes in Net Assets**

Year ended December 31, 2022, with comparative information for 2021

				2022	2021
	Unrestricted Operating Reserve	Internally Restricted Program Reserve	Internally Restricted Connect Campaign Reserve	Total	Total
Balance - beginning of year	\$ 100,000	\$ 132,569	\$ -	\$ 232,569	\$ 41,114
Excess of revenue over expenses	100,000	4,215	3,123	107,338	191,455
Balance - end of year	\$ 200,000	\$ 136,784	\$ 3,123	\$ 339,907	\$ 232,569

See accompanying notes to the financial statements.

Lake Simcoe Conservation Foundation
Notes to the Financial Statements
December 31, 2022

1. Nature of Operations and Summary of Significant Accounting Policies

a. Nature of operations

Lake Simcoe Conservation Foundation, formerly known as Lake Simcoe Region Conservation Foundation, (the “Foundation”) was incorporated in October 1973 to aid the Lake Simcoe Region Conservation Authority (“LSRCA”) by raising funds and serving as custodian of donations, endowment funds and gifts for conservation and environmental purposes. The Foundation is a registered charity and is not subject to income taxes under the Income Tax Act.

b. Basis of accounting

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

c. Cash and cash equivalents

The Foundation considers deposits in banks and short-term investments with maturities of three months or less as cash and cash equivalents.

d. Revenue recognition

Revenue and expenditures are recorded on the accrual basis, whereby they are reflected in the accounts in the year in which they have been earned and incurred, respectively, whether or not such transactions have been finally settled by the receipt or payment of money.

The Foundation follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Donations and grants are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Lake Simcoe Conservation Foundation
Notes to the Financial Statements
December 31, 2022

e. Contributed goods and services

The Foundation derives significant benefit from goods and services donated by volunteers. Since these services are not normally purchased by the Foundation and because of the difficulty in determining their fair value, donated services are not recognized in these financial statements.

f. 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 liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the year. The principal estimates used in the preparation of these financial statements include significant accrued receivables and accrued liabilities. Actual results could differ from management's best estimates as additional information becomes available in the future.

g. Allocations of expenses

The Foundation allocates human resources costs based on the time spent by staff for operations, fundraising activities, and Board activities.

h. Financial instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, equities traded in an active market are reported at fair value, with any unrealized gains and losses reported in operations. All other financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items measured at fair value at each statement of financial position date. Transaction costs directly attributable to the origination, acquisition, issuance, or assumption of financial instruments measured at cost or amortized cost are capitalized and amortized over the expected life of the instrument using the straight-line method.

The Foundation's financial instruments comprise of cash, and cash equivalents and investments which are recorded at fair value and receivables, accounts payable and accruals which are recorded at amortized cost.

Lake Simcoe Conservation Foundation
Notes to the Financial Statements
December 31, 2022

2. Investments

In early May, \$1,200,000 of the Connect Campaign funds were invested with TD Wealth in a portfolio of asset classes.

The carrying amounts of investments are comprised of the following:

	2022	
	Market	Cost
Fixed income mutual funds	\$ 438,823	\$ 457,399
Canadian equity funds	88,970	96,752
Foreign equity funds	110,457	122,878
	\$ 638,250	\$ 677,029

Lake Simcoe Conservation Foundation
Notes to the Financial Statements
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3. Deferred dinner, campaign, and grant contributions

The Foundation raises funds through campaign contributions for specific aspects of conservation. The following summary reports the activity related to each of these conservation purposes for the year:

	January 1, 2022	Campaign & Grant Funding	Transfer to LSRCA	Transfer to Income (Operations)	December 31, 2022
Franklin Fishing	\$ 4,185	\$ 7,226	\$ -	\$ 4,353	\$ 7,058
Lake Simcoe Social General	3,750	750	-	-	4,500
Inspiring Greener Communities Marinas	106,884	115,106	45,881	-	176,109
Conservation Dinner	69,250	38,063	-	468	106,845
Dalton Hicks Golf Tournament	3,375	-	-	-	3,375
Conservation Days	13,600	247,870	-	233,070	28,400
	26,384	65,014	-	35,416	55,982
	7,125	6,900	-	-	14,025
Any Priority Initiative - Unrestricted Disbursements to LSRCA	234,553	480,929	45,881	273,307	396,294
Education	2,598	3,489	2,712	1,688	1,687
Connect Campaign	1,204,698	271,593	65,114	-	1,411,177
Golf Tournament	58,408	-	58,408	-	-
50/50 Raffle - Pay Day Pay Out	9,089	11,365	-	6,135	14,319
Environmental Education & Engagement	1,274,793	286,447	126,234	7,823	1,427,183
Tree Memorial	787	-	787	-	-
Restoration Fund	15,181	4,990	4,212	-	15,959
Restoring and Regenerating Aquatic & Terrestrial	15,968	4,990	4,999	-	15,959
Dog Park	3,555	-	-	-	3,555
Scanlon Events	7,885	2,072	-	-	9,957
Conservation Areas and Parks	-	2,315	-	17	2,298
Taking Care of Our Parks	11,440	4,387	-	17	15,810
Lake Simcoe Watershed Research & Innovation	2,104	892	-	-	2,996
Lake Simcoe Watershed Research & Innovation	2,104	892	-	-	2,996
TD Friends of the Environment	7,500	-	7,500	-	-
The 452 Foundation	-	18,750	-	-	18,750
Royal Bank of Canada Donation	1,005	56,667	7,775	-	49,897
Grants	8,505	75,417	15,275	-	68,647
Total	\$ 1,547,363	\$ 853,062	\$ 192,389	\$ 281,147	\$ 1,926,889

A detailed description of each deferred contribution category is available from the Foundation.

Lake Simcoe Conservation Foundation
Notes to the Financial Statements
December 31, 2022

4. Internally Restricted Funds and Unrestricted Program Reserve:

The net assets invested in the unrestricted operating reserve include amounts to fund operational commitments entered by the Foundation and to help ensure the financial security of the Foundation. The minimum operating reserve balance is \$45,000, the operating reserve accumulated balance is \$200,000 as of December 31, 2022.

The net assets invested in the internally restricted program reserve include any surplus in the unrestricted operating reserve beyond the balance of \$200,000. The entire balance of this internally restricted program reserve account is intended for disbursement to the Lake Simcoe Region Conservation Authority following the fiscal year end and will be used to fund Foundation Board approved priority environmental programs and projects that support our Vision, Mission and Objectives. As of December 31, 2022, the Internally restricted reserve balance is \$136,784.

The net assets invested in the internally restricted Connect Campaign reserve include any surplus resulting from the portion of donated funds covering the administrative expenses for the Connect Campaign. The entire balance of this internally restricted program reserve account is intended to be used to cover the ongoing administrative expenses related to the Connect Campaign. The remaining 2022 surplus in the Connect Campaign program in the amount of \$3,123.

5. Expense allocation

Wages and benefits are allocated between operations, fundraising, and Board, based on the time spent by staff in each of these categories. The allocation is as follows:

	2022	2021
Operating	\$ 92,515	\$ 77,110
Fundraising	65,434	76,594
Board	11,566	4,579
Total	\$ 169,515	\$ 158,283

Lake Simcoe Conservation Foundation
Notes to the Financial Statements
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6. Related party transactions

The Lake Simcoe Region Conservation Authority exercises economic interest over the Foundation as the Foundation was established to raise funds and obtain resources for the exclusive use of the Authority. During the year, the Foundation contributed \$195,689 (2021 - \$432,008) towards projects in the Authority. Additionally, the Authority received from the Foundation \$165,999 (2021 - \$141,133) for expense reimbursement of Foundation related expenses at cost recovery. These transactions are measured at cost.

7. Financial instruments risks

Credit risk

The Foundation is exposed to credit risk arising from its accounts receivable. The majority of the Foundation's receivables are from developers and government sources. The risk has not changed from the previous year. As well, the Foundation's bank accounts are held at a Canadian chartered bank.

Liquidity risk

Liquidity risk is the risk that the Foundation will encounter difficulty in meeting financial obligations as they fall due. The Foundation mitigates this risk by ensuring that it always has sufficient cash to allow it to meet its liabilities when they become due. Liquidity risk arises from accounts payable and accrued liabilities. The risk has not changed from the previous year.

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.

Lake Simcoe Conservation Foundation
Notes to the Financial Statements
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7. Financial instruments risks (continued):

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Approximately 23% of the Foundation's investments are in foreign fixed income mutual funds and foreign equity mutual funds. Consequently, these investments are exposed to foreign exchange fluctuations. As at year end, investments of \$276,012 are held in foreign fixed income mutual funds and foreign equity mutual funds and converted into Canadian dollars. The Foundation considers this risk to be acceptable and therefore does not hedge its foreign exchange rate risks.

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 Foundation is exposed to interest rate risk arising from the possibility that changes in interest rates will affect the value of its investments in fixed income mutual funds.

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 Foundation is exposed to other price risk through its investments in fixed income mutual funds and equities. The Foundation manages other price risk through maintaining an investment policy that is reviewed regularly. The policy outlines the holdings shall be diversified across industry sectors within acceptable risk levels and not more than 5% of the total market value of the portfolio will be invested in securities of any one issuer.
