

The Bruce Trail Conservancy

Financial Statements

June 30, 2020



August 27, 2020

Independent Auditor's Report

To the Directors of The Bruce Trail Conservancy

Qualified Opinion

We have audited the financial statements of The Bruce Trail Conservancy (the "Conservancy"), which comprise the statement of financial position as at June 30, 2020, and the statements of changes in fund balances, operations 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 matters described in the *Basis for Qualified Opinion* paragraph, the accompanying financial statements present fairly, in all material respects, the financial position of The Bruce Trail Conservancy as at June 30, 2020, 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, The Bruce Trail Conservancy derives revenue from donations and fundraising, 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 Bruce Trail Conservancy and we were not able to determine whether any adjustments might be necessary to revenues, excess (deficiency) of revenues over expenses for the year reported in the statement of operations, and current assets and fund balances in the statement of financial position.

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 Conservancy 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 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 Conservancy'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 Conservancy or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Conservancy's financial reporting process.



Independent Auditor's Report, continued

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 Conservancy'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 Conservancy's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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 Conservancy 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.

Pettinelli Mastroluisi LLP

Chartered Accountants
Licensed Public Accountants

Hamilton, Ontario

The Bruce Trail Conservancy

Statement of Financial Position

June 30, 2020, with comparative information for 2019

	Capacity Fund	Conservation Fund	Contingency Reserve Fund	Land Stewardship Reserve Fund	Total June 30	
					2020	2019
Assets						
Current assets						
Cash and cash equivalents	\$ 300,045	\$ 265,152	\$ 18,672	\$ 273,680	\$ 857,549	\$ 1,128,058
Accounts receivable (Note 2)	6,934	5,330	-	-	12,264	49,306
Interfund receivable (Note 3)	38,966	-	-	-	-	-
Merchandise inventory	76,704	-	-	-	76,704	41,227
Prepaid expenses and deposits	144,076	5,936	-	-	150,012	142,679
Restricted short-term investment (Note 4 and 13)	-	1,400,000	-	-	1,400,000	-
Land held for sale	-	769,474	-	-	769,474	769,474
	<u>566,725</u>	<u>2,445,892</u>	<u>18,672</u>	<u>273,680</u>	<u>3,266,003</u>	<u>2,130,744</u>
Restricted cash and investments (Note 5)	-	507,560	-	179,685	687,245	210,159
Investments (Note 5)	-	-	988,055	1,587,856	2,575,911	2,252,282
Cash and investments held for endowment (Note 5 and 13)	-	-	-	49,610	49,610	25,000
Cash surrender value of life insurance (Note 6)	-	131,595	-	-	131,595	114,206
Capital assets (Note 7)	<u>128,568</u>	<u>26,387,919</u>	<u>-</u>	<u>-</u>	<u>26,516,487</u>	<u>22,082,656</u>
	<u>\$ 695,293</u>	<u>\$ 29,472,966</u>	<u>\$ 1,006,727</u>	<u>\$ 2,090,831</u>	<u>\$ 33,226,851</u>	<u>\$ 26,815,047</u>
Liabilities						
Current liabilities						
Accounts payable and accrued liabilities (Note 8)	\$ 198,319	\$ 94,933	\$ -	\$ -	\$ 293,252	\$ 372,950
Interfund payable (Note 3)	-	38,966	-	-	-	-
Deferred contributions and grants (Note 9)	58,375	-	-	-	58,375	58,375
Deferred membership revenue (Note 10)	96,069	-	-	-	96,069	90,446
Due to Parks Canada Agency (Note 11)	-	1,400,000	-	-	1,400,000	-
Loans payable (Note 12)	-	858,188	-	-	858,188	899,172
	<u>352,763</u>	<u>2,392,087</u>	<u>-</u>	<u>-</u>	<u>2,705,884</u>	<u>1,420,943</u>
Deferred membership revenue (Note 10)	196,622	-	-	-	196,622	193,511
Due to Parks Canada Agency (Note 11)	-	-	-	-	-	1,400,000
	<u>549,385</u>	<u>2,392,087</u>	<u>-</u>	<u>-</u>	<u>2,902,506</u>	<u>3,014,454</u>
Fund Balances						
Unrestricted	17,340	185,400	-	-	202,740	(1,059,260)
Internally restricted	-	-	1,006,727	1,861,146	2,867,873	2,644,765
Externally restricted (Notes 5 and 13)	-	507,560	-	179,685	687,245	107,432
Endowments (Notes 5 and 13)	-	-	-	50,000	50,000	25,000
Invested in capital assets	<u>128,568</u>	<u>26,387,919</u>	<u>-</u>	<u>-</u>	<u>26,516,487</u>	<u>22,082,656</u>
	<u>145,908</u>	<u>27,080,879</u>	<u>1,006,727</u>	<u>2,090,831</u>	<u>30,324,345</u>	<u>23,800,593</u>
	<u>\$ 695,293</u>	<u>\$ 29,472,966</u>	<u>\$ 1,006,727</u>	<u>\$ 2,090,831</u>	<u>\$ 33,226,851</u>	<u>\$ 26,815,047</u>
Commitments (Note 14)						
Contingencies (Note 15)						

See accompanying notes to financial statements.

Approved by the Board:

 Leah Myers, Board Chair

 Stephanie Bird, Chair of Finance & Risk

The Bruce Trail Conservancy

Statement of Changes in Fund Balances

Year ended June 30, 2020, with comparative information for 2019

	Capacity Fund	Conservation Fund	Contingency Reserve Fund	Land Stewardship Reserve Fund	Total	
					Year ended June 30 2020	Year ended June 30 2019
Fund balance, beginning of year	\$ 145,380	\$ 20,878,016	\$ 1,028,767	\$ 1,748,430	\$ 23,800,593	\$ 21,712,040
Excess (deficiency) of revenues over expenses for the year	528	1,570,285	(22,040)	(43,233)	1,505,540	(1,405,173)
Donations and grants restricted for the purchase of land and easements (Note 13)	-	4,894,928	-	-	4,894,928	3,468,726
Donations of land and easements (Note 13)	-	98,284	-	-	98,284	-
Endowment contributions (Note 13)	-	-	-	25,000	25,000	25,000
Interfund transfers (Note 16)	-	(360,634)	-	360,634	-	-
Fund balance, end of year	<u>\$ 145,908</u>	<u>\$ 27,080,879</u>	<u>\$ 1,006,727</u>	<u>\$ 2,090,831</u>	<u>\$ 30,324,345</u>	<u>\$ 23,800,593</u>

See accompanying notes to financial statements.

The Bruce Trail Conservancy

Statement of Operations

Year ended June 30, 2020, with comparative information for 2019

	Capacity Fund	Conservation Fund	Contingency Reserve Fund	Land Stewardship Reserve Fund	Total	
					Year ended June 30 2020	2019
Revenues						
Donations of cash and securities (Note 13)	\$ 231,881	\$ 2,258,030	\$ -	\$ -	\$ 2,489,911	\$ 2,100,985
Donations towards land securement (Note 11 and 13)	-	1,211,333	-	-	1,211,333	602,727
Membership dues - Conservancy's portion	333,867	-	-	-	333,867	359,554
Interest and realized investment income	48,226	64,508	53,541	86,583	252,858	112,651
Bruce Trail Enterprises	158,106	-	-	-	158,106	135,971
Membership dues - Clubs' portion	108,035	-	-	-	108,035	114,994
Rental income	-	44,890	-	-	44,890	42,947
Grants	10,000	25,024	-	-	35,024	3,797
Sponsorships	-	29,000	-	-	29,000	6,250
Miscellaneous income	3,538	-	-	-	3,538	15,731
	<u>893,653</u>	<u>3,632,785</u>	<u>53,541</u>	<u>86,583</u>	<u>4,666,562</u>	<u>3,495,607</u>
Expenses (Note 17)						
Fundraising	-	548,438	-	-	548,438	499,706
Administrative salaries and benefits	340,274	-	-	-	340,274	323,989
Land securement	-	320,846	-	-	320,846	286,805
Land stewardship	-	273,429	-	-	273,429	231,758
Member and public outreach	-	189,881	-	-	189,881	271,493
Marketing	-	169,828	-	-	169,828	50,621
Committee and meeting expenses	-	144,794	-	-	144,794	394,687
Computer and internet	74,626	43,985	-	-	118,611	103,535
Bruce Trail Enterprises	115,739	-	-	-	115,739	83,117
Rent, utilities and maintenance	68,432	40,334	-	-	108,766	102,415
Clubs' share of membership dues	108,035	-	-	-	108,035	114,994
Volunteer management	-	97,704	-	-	97,704	69,047
Bruce Trail Magazine	-	95,786	-	-	95,786	108,854
Land management and property taxes	-	80,047	-	-	80,047	69,065
Trail development and maintenance	-	65,775	-	-	65,775	131,367
Insurance	38,116	22,466	-	-	60,582	27,231
Amortization	32,587	25,687	-	-	58,274	62,875
Donations forwarded to clubs	53,649	-	-	-	53,649	37,389
Bank and service charges	22,858	13,473	-	-	36,331	34,335
Annual general meeting	-	27,155	-	-	27,155	30,616
Professional fees	16,900	9,961	-	-	26,861	35,328
Staff expenses and travel	16,572	9,768	-	-	26,340	19,417
Miscellaneous	14,978	8,828	-	-	23,806	13,745
Investment management fees	-	-	9,253	13,411	22,664	20,407
Office and general	11,742	6,921	-	-	18,663	19,809
Life insurance	11,832	-	-	-	11,832	11,832
Landowner relations	-	11,396	-	-	11,396	10,166
Office equipment rental and maintenance	5,599	3,300	-	-	8,899	11,451
	<u>931,939</u>	<u>2,209,802</u>	<u>9,253</u>	<u>13,411</u>	<u>3,164,405</u>	<u>3,176,054</u>
Excess (deficiency) of revenues over expenses from operations	<u>(38,286)</u>	<u>1,422,983</u>	<u>44,288</u>	<u>73,172</u>	<u>1,502,157</u>	<u>319,553</u>
Other income (expenses)						
Government assistance (Note 18)	53,587	138,621	-	-	192,208	-
Increase in cash surrender value of life insurance (Note 6)	-	17,389	-	-	17,389	622
Gain on sale of capital assets	-	-	-	-	-	197,100
Contributions towards land securement (Note 11)	-	-	-	-	-	(1,900,000)
Foreign currency exchange loss	(14,773)	(8,708)	-	-	(23,481)	(30,125)
(Decrease) increase in unrealized gains from investments	-	-	(66,328)	(116,405)	(182,733)	7,677
	<u>38,814</u>	<u>147,302</u>	<u>(66,328)</u>	<u>(116,405)</u>	<u>3,383</u>	<u>(1,724,726)</u>
Excess (deficiency) of revenues over expenses for the year	<u>\$ 528</u>	<u>\$ 1,570,285</u>	<u>\$ (22,040)</u>	<u>\$ (43,233)</u>	<u>\$ 1,505,540</u>	<u>\$ (1,405,173)</u>

See accompanying notes to financial statements.

The Bruce Trail Conservancy

Statement of Cash Flows

Year ended June 30, 2020, with comparative information for 2019

	Year ended June 30	
	2020	2019
Operating activities		
Excess (deficiency) of revenues over expenses for the year	\$ 1,505,540	\$ (1,405,173)
Items not involving cash:		
Amortization	58,274	62,875
Increase in cash surrender value of life insurance	(17,389)	(622)
(Decrease) increase in unrealized gains from investments	182,733	(7,677)
Gain on sale of capital assets	-	(197,100)
Recognition of deferred contributions and grants related to expenses of future periods	-	(15,385)
	<u>1,729,158</u>	<u>(1,563,082)</u>
Net change in non-cash working capital balances relating to operations:		
Decrease (increase) in accounts receivable	37,042	(30,745)
(Increase) decrease in merchandise inventory	(35,477)	16,868
Increase in prepaid expenses and deposits	(7,333)	(29,803)
(Decrease) increase in accounts payable and accrued liabilities	(79,698)	110,036
Increase in deferred membership revenue	8,734	18,642
	<u>1,652,426</u>	<u>(1,478,084)</u>
Financing activities		
Contributions and grants received related to expenses of future periods	-	58,375
(Repayment of) proceeds from loans payable	(40,984)	899,172
Donations restricted for the purchase of land and easements	4,894,928	3,468,726
Endowment contributions	25,000	25,000
	<u>4,878,944</u>	<u>4,451,273</u>
Investing activities		
Increase in due to Parks Canada Agency	-	1,400,000
(Purchase) redemption of short-term investment	(1,400,000)	1,000,000
Proceeds on sale of land assets	7,630	1,352,689
Purchase of land held for sale	(7,630)	(1,769,474)
Purchase of land and easements	(4,379,738)	(4,198,832)
Purchase of other capital assets	(14,083)	(29,041)
Purchase of investments	(514,652)	(54,307)
	<u>(6,308,473)</u>	<u>(2,298,965)</u>
Increase in cash and cash equivalents	222,897	674,224
Cash and cash equivalents, beginning of year	<u>1,241,712</u>	<u>567,488</u>
Cash and cash equivalents, end of year	<u>\$ 1,464,609</u>	<u>\$ 1,241,712</u>
Cash and cash equivalents consists of:		
Cash and cash equivalents	\$ 857,549	\$ 1,128,058
Restricted cash (Note 5)	582,060	102,727
Cash held for endowment (Note 5 and 13)	25,000	10,927
	<u>\$ 1,464,609</u>	<u>\$ 1,241,712</u>

See accompanying notes to financial statements.

The Bruce Trail Conservancy

Notes to Financial Statements

Year ended June 30, 2020

Nature of operations

The Bruce Trail Conservancy (the "Conservancy") is a charitable organization working to preserve a ribbon of wilderness, for everyone, forever, along the route of the Bruce Trail secured within a permanently protected natural corridor along the Niagara Escarpment.

The Conservancy was incorporated on March 13, 1963 under Ontario Letters Patent and is exempt from income tax as a registered charity under the Income Tax Act.

1. Significant accounting policies

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the CPA Canada Handbook. The significant accounting policies of the Conservancy are detailed as follows:

Cash and cash equivalents

Cash and cash equivalents are defined to include cash on hand and bank account balances with financial institutions, net of outstanding cheques and deposits. Cash and cash equivalents also include short-term deposits which are highly liquid with original maturities of less than three months.

Merchandise inventory

Merchandise inventory is valued at the lower of cost and net realizable value. Cost is determined on an average cost basis.

Investments

Investments are recorded at their fair value.

Capital assets

Capital assets are stated at cost less accumulated amortization. Amortization is based on the estimated useful lives of these assets and is computed using the following annual rates and methods:

Furniture, fixtures and equipment	20% Declining balance
Computer equipment and software	30% Declining balance
Fences	10 years Straight-line
Leasehold improvements	10 years Straight-line
Buildings	30 years Straight-line
Pedestrian bridge	40 years Straight-line

In the year of acquisition, the above assets are amortized at one-half of their normal rates. Land, easements and trademarks are not amortized.

Expenditures for maintenance and repairs are charged to excess (deficiency) of revenues over expenses as incurred.

The Bruce Trail Conservancy

Notes to Financial Statements

Year ended June 30, 2020

1. Significant accounting policies, continued

Revenue recognition

The Conservancy follows the deferral method of accounting for contributions.

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.

Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Restricted contributions for which the related expenditures have not yet been made are recorded as deferred contributions. Contributions restricted for the purchase of depreciable capital assets are deferred and amortized into revenue at a rate corresponding with the amortization rate for the related asset.

Restricted contributions for the purchase of land and easements and donations of land and easements in-kind are reported as a direct increase in the corresponding fund's balance.

Endowment contributions are reported as a direct increase in the corresponding fund's balance in the year received. Investment income earned on endowments is reported in the statement of operations and is used in accordance with the purposes established by the donors.

Fund accounting

The Conservancy utilizes fund accounting and has established the following funds:

(i) Capacity Fund

The Capacity Fund is responsible for the administrative activities of the Conservancy. Revenue is generated from memberships sold, unrestricted donations, restricted donations designated to this fund by donors and the sale of merchandise by Bruce Trail Enterprises.

(ii) Conservation Fund

The Conservation Fund is an internally restricted fund responsible for the management and stewardship of properties along the Bruce Trail and also supports the acquisition of new properties. Land and properties owned by the Conservancy and the revenues and expenses related to program delivery are reported in the Conservation Fund.

(iii) Contingency Reserve Fund

The Contingency Reserve Fund is an internally restricted fund to be used to cover the operations of the Conservancy in the event that there is an unforeseen circumstance that impacts its ability to generate cash flows for a period of time, or to support operating deficiencies and working capital requirements, at the discretion of the Board of Directors. Investment income earned by the fund is distributed annually as determined by the Board of Directors.

The Bruce Trail Conservancy

Notes to Financial Statements

Year ended June 30, 2020

1. Significant accounting policies, continued

Fund accounting, continued

(iv) Land Stewardship Reserve Fund

The Land Stewardship Reserve Fund is an internally restricted fund to be used to fund future stewardship costs relating to the Conservancy's property holdings. Beginning in fiscal 2011, the Board of Directors approved a motion to adopt a policy to transfer approximately 10% (subject to variance based on review and final approval by the Board of Directors) of the cost of land acquired, or received as a donation, in any fiscal year from the Conservation Fund to the Land Stewardship Reserve Fund. Certain bequests and donations may also be allocated to this fund at the discretion of the Board of Directors.

Donated services

The work of the Conservancy is dependent on the voluntary service of many individuals. Since these services are not normally purchased by the Conservancy and because of the difficulty of determining their fair value, donated services are not recognized in these statements.

Government assistance

Government assistance provided for non-capital expenses of the current period have been accounted for in the excess (deficiency) of revenues over expenses. Government assistance received related to expenses of future periods is initially deferred and subsequently recognized to the excess (deficiency) of revenues over expenses as eligible expenditures are incurred.

Employee retirement matching program

All permanent full-time employees of the Conservancy are eligible for the employee retirement matching program. Contributions made by the Conservancy on behalf of eligible and participating employees are included in the excess (deficiency) of revenues over expenses from operations when incurred.

Financial instruments

(i) Measurement of financial instruments

The Conservancy initially measures its financial assets and liabilities at fair value. Equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. Changes in fair value are recognized in excess (deficiency) of revenues over expenses in the period incurred. The Conservancy has not elected to carry any such financial instruments at fair value.

The Bruce Trail Conservancy

Notes to Financial Statements

Year ended June 30, 2020

1. Significant accounting policies, continued

Financial instruments, continued

(ii) Impairment

For financial assets measured at cost or amortized cost, the Conservancy determines whether there are indications of possible impairment. When there is an indication of impairment, and the Conservancy determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows, a write-down is recognized in the excess (deficiency) of revenues over expenses. A previously recognized impairment loss may be reversed to the extent of the improvement. The carrying amount of the financial asset may not be 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 the excess (deficiency) of revenues over expenses.

(iii) Transaction costs

Transaction costs related to financial instruments that will be subsequently measured at fair value are recognized in the excess (deficiency) of revenues over expenditures in the period incurred. The carrying amount of the financial instruments that will not be subsequently measured at fair value is adjusted for transaction costs directly attributable to the origination, issuance or assumption of these instruments.

Use of estimates

The preparation of financial statements in conformity 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 and disclosure of contingent assets and liabilities at the statement of financial position date and the reported amounts of revenues and expenses for the year. Due to the inherent uncertainty of making estimates, actual results could differ from those estimates.

2. Accounts receivable

Accounts receivable are comprised of the following balances:

	Capacity Fund	Conservation Fund	Total June 30 2020	2019
Trade	\$ 6,934	\$ 5,330	\$ 12,264	\$ 6,436
HST receivable	-	-	-	42,870
	<u>\$ 6,934</u>	<u>\$ 5,330</u>	<u>\$ 12,264</u>	<u>\$ 49,306</u>

The Bruce Trail Conservancy

Notes to Financial Statements

Year ended June 30, 2020

3. Interfund receivable/payable

Interfund receivable/payable balances bear no interest and have no specific terms of repayment.

4. Restricted short-term investment

Restricted short-term investment is comprised of a guaranteed investment certificate (GIC). The GIC held at June 30, 2020 has an effective interest rate of 1.40% and matures in June 2021. The short-term investment is committed for the repayment of the balance due to Parks Canada Agency in relation to its acquisition of the Driftwood Cove property. The short-term investment was acquired with external donations in the amount of \$1,314,060 which were specifically contributed to the Conservancy in relation to the Driftwood Cove acquisition. The remaining \$85,940 required to repay the amount owing to Parks Canada Agency has been internally committed by the Conservancy.

5. Restricted cash and investments

	2020		2019	
	Market	Cost	Market	Cost
Bond Fund	\$ 1,001,405	\$ 959,943	\$ 356,954	\$ 345,978
Focus Canadian Equity Fund	394,066	506,122	463,435	434,030
Money Market Fund	148,287	148,625	568,713	569,233
Partner's Global Fund	1,161,948	910,952	984,685	665,923
	<u>\$ 2,705,706</u>	<u>\$ 2,525,642</u>	<u>\$ 2,373,787</u>	<u>\$ 2,015,164</u>

As at the year-end date, the Conservancy held cash in the amount of \$507,560 (2019 - \$Nil) from donations and grants restricted for the future purchase of land and easements.

The Conservancy has received grants in connection with the stewardship of specific properties. Pursuant to certain land stewardship agreements, \$179,685 (2019 - \$107,432) is required to be retained and is restricted for such purpose and has been reported as restricted cash and investments on the statement of financial position. As of the year-end date, \$74,500 was held as cash for future investment. Investment income earned on these funds must also be utilized for land stewardship purposes.

During the year, the Conservancy received an endowment contribution of \$25,000 as further described in Note 13. As of the year-end date, the full amount received during the year was held as cash for future investment.

6. Cash surrender value of life insurance

During fiscal 2012, the Conservancy received a \$148,000 donation by way of premiums paid on a life insurance policy to which the Conservancy is the policyholder. The increase in the cash surrender value of the policy during the current year of \$17,389 has been reported as other income in the Conservation Fund. The policy's cash surrender value at June 30, 2020 was \$131,595 (2019 - \$114,206).

The Bruce Trail Conservancy

Notes to Financial Statements

Year ended June 30, 2020

7. Capital assets

Capacity Fund

	Cost	Accumulated amortization	June 30	
			2020 Net book value	2019 Net book value
Computer equipment and software	\$ 156,679	\$ (113,463)	\$ 43,216	\$ 61,692
Leasehold improvements	72,651	(29,501)	43,150	50,744
Furniture, fixtures and equipment	81,000	(54,914)	26,086	32,602
Trademarks	16,116	-	16,116	9,157
	<u>\$ 326,446</u>	<u>\$ (197,878)</u>	<u>\$ 128,568</u>	<u>\$ 154,195</u>

Trademarks represent the costs associated with application and filing for certain trademarks used by the Conservancy. These trademarks represent an intangible asset to the Conservancy with an indefinite life and therefore no amortization has been taken.

Conservation Fund

	Cost	Accumulated amortization	June 30	
			2020 Net book value	2019 Net book value
Land and easements	\$ 25,875,121	\$ -	\$ 25,875,121	\$ 21,397,100
Pedestrian bridge	378,525	(118,289)	260,236	269,699
Buildings	436,308	(199,004)	237,304	252,162
Fence	17,123	(1,865)	15,258	9,500
	<u>\$ 26,707,077</u>	<u>\$ (319,158)</u>	<u>\$ 26,387,919</u>	<u>\$ 21,928,461</u>

As at June 30, 2020, the Conservancy owned 148 parcels (2019 - 137 parcels) totaling 6,700 acres (2019 - 6,155 acres).

8. Accounts payable and accrued liabilities

Included in accounts payable and accrued liabilities are government remittances payable of \$57,526 (2019 - \$21,095), which includes amounts payable for payroll related taxes and WSIB premiums.

The Bruce Trail Conservancy

Notes to Financial Statements

Year ended June 30, 2020

9. Deferred contributions and grants

Deferred contributions and grants represent unspent externally restricted donations, grants and other contributions related to expenses of future periods. The change in the balance of deferred contributions and grants is as follows:

	June 30	
	2020	2019
Balance, beginning of year	\$ 58,375	\$ 15,385
Add: Contributions and grants received and deferred	-	58,375
Less: Contributions recognized as revenue	-	(15,385)
Balance, end of year	<u>\$ 58,375</u>	<u>\$ 58,375</u>

The deferred contributions and grants balance as at the year-end date represents an externally restricted contribution to be utilized towards the publication of the Conservancy's 30th edition guidebooks. As a result of the COVID-19 pandemic, the publication of the new edition guidebooks was delayed. It is management's expectation that the deferred balance will be fully utilized and recognized in fiscal 2021.

10. Deferred membership revenue

The Conservancy offers three membership options. These options include a one year, a three year or a life membership. The one year memberships are recognized as revenue in the year in which they are issued. The three year memberships are recognized as revenue evenly over three years. With the purchase of a three year membership, members save \$10 on the total cost. The discount is recognized evenly over the three year membership period. The membership revenue attributable to the life memberships is recognized evenly over 20 years. Irrespective of the membership option selected, \$11 from each membership fee is paid annually to a Bruce Trail Conservancy club of the member's choosing. Deferred membership revenue is comprised of the following:

	June 30	
	2020	2019
Current:		
Three year memberships	\$ 81,015	\$ 76,272
Life memberships	<u>15,054</u>	<u>14,174</u>
	<u>96,069</u>	<u>90,446</u>
Long-term:		
Three year memberships	38,157	42,793
Life membership	<u>158,465</u>	<u>150,718</u>
	<u>196,622</u>	<u>193,511</u>
	<u>\$ 292,691</u>	<u>\$ 283,957</u>

The Bruce Trail Conservancy

Notes to Financial Statements

Year ended June 30, 2020

10. Deferred membership revenue, continued

Included in deferred membership revenue at the year-end date were the following amounts which are eventually owing to the Bruce Trail Conservancy clubs:

	June 30	
	2020	2019
Three year memberships - current portion	\$ 20,460	\$ 20,427
Three year memberships - long-term portion	9,669	10,791
Life memberships - current portion	3,546	3,370
Life memberships - long-term portion	<u>40,163</u>	<u>28,375</u>
	<u>\$ 73,838</u>	<u>\$ 62,963</u>

11. Due to Parks Canada Agency

In fiscal 2019, the Conservancy entered into an agreement with Parks Canada Agency (Canadian Federal Government Agency) to contribute a total of \$1,900,000 in support of Parks Canada Agency's acquisition of the Driftwood Cove property for addition to the Bruce Peninsula National Park of Canada. As per the terms of the agreement, the Conservancy contributed \$500,000 during fiscal 2019 and is required to contribute the remaining \$1,400,000 to Parks Canada Agency before June 30, 2021.

12. Loans payable

The Conservancy entered into three borrowing agreements in fiscal 2019 with members of its Board of Directors to support the cash flow requirements related to land acquisition and securement transactions, specifically those involving the acquisition, severance and subsequent sale of the severed non-trail related portion of the properties. The three agreements allowed the Conservancy to borrow a combined amount of up to \$875,000. The borrowed amounts bear interest at the bank's prime rate plus 1.00% per annum, are secured by the underlying properties and are due on demand subject to certain conditions. As at the year-end date, the Conservancy had repaid one borrowing agreement and had two outstanding borrowing agreements with a combined amount of \$800,000 plus accrued interest payable of \$58,188. The outstanding amounts will be repaid once the severed non-trail related portion of the properties have been sold.

The Bruce Trail Conservancy

Notes to Financial Statements

Year ended June 30, 2020

13. Donations

During the year the Conservancy received donations, donations of land and easements in-kind and endowment contributions totaling \$8,719,456 (2019 - \$6,197,438). The donations have been accounted for as restricted or unrestricted based upon the intentions of the donor.

(i) Restricted for the purchase of land and easements and land securement

Consistent with the Conservancy's ongoing operations and strategic objectives, donations restricted for the purchase of land and easements and donations of land and easements in-kind were received during the year. Donations restricted for the purchase of land and easements and donations of land and easements in-kind amounted to \$4,894,928 (2019 - \$3,468,726) and \$98,284 (2019 - \$Nil) respectively. In accordance with Canadian accounting standards for not-for-profit organizations that follow the deferral method of accounting for contributions, these restricted donations for the purchase of non-depreciable capital assets have been accounted for as a direct increase in the year-end fund balance of the Conservation Fund and therefore are not reflected as revenue in the statement of operations.

During the year, the Conservancy received restricted donations of \$1,211,333 in support of the Driftwood Cove property acquisition by Parks Canada Agency (as described in Note 11). The balance of \$1,314,060 (2019 - \$102,727) in restricted donations not yet contributed towards the securement of the Driftwood Cove property has been invested in a GIC and reported as a restricted short-term investment on the statement of financial position (refer to Note 4).

(ii) Unrestricted

The Conservancy received \$2,489,911 (2019 - \$2,100,985) in unrestricted donations which have been recognized as revenue in the statement of operations in the current year. Unrestricted donations can be utilized by the Conservancy for any required purpose including the support of administration, operations and strategic initiatives.

(iii) Endowment contributions

During the year, the Conservancy received and recognized \$25,000 (2019 - \$25,000) in endowment contributions related to the establishment of the Diane Nicolucci Bruce Trail Connection Fund. As at the year-end date, the total accumulated endowment contributions related to the Diane Nicolucci Bruce Trail Connection Fund was \$50,000 (2019 - \$25,000). An additional \$25,000 has been committed in each of the next two years to create a maximum initial endowment contribution of \$100,000. These funds were to be allocated to the existing Land Stewardship Reserve Fund and remain vested in this fund as long as the fund is in existence. Investment income generated from the endowment balance may be utilized to support trail development and maintenance initiatives. In accordance with Canadian accounting standards for not-for-profit organizations that follow the deferral method of accounting for contributions, these endowment contributions have been accounted for as a direct increase in the year-end fund balance of the Land Stewardship Reserve Fund and therefore are not reflected as revenue in the statement of operations.

The Bruce Trail Conservancy

Notes to Financial Statements

Year ended June 30, 2020

14. Commitments

The Conservancy's total commitments, under various operating leases and a property lease agreement, exclusive of occupancy costs, approximate the following:

2021	\$	176,400
2022		128,700
2023		124,600
2024		125,500
2025		125,500
Subsequent years		<u>94,200</u>
	\$	<u>774,900</u>

15. Contingencies

From time to time, the Conservancy is subject to claims and other lawsuits that arise in the course of operations, some of which may seek damages of substantial amounts. It is expected that any successful claims would be covered pursuant to the Conservancy's insurance policies. As at June 30, 2020, based on management's assessment, there were no outstanding claims that would likely cause an economic loss to the Conservancy and therefore no amount has been accrued in the financial statements.

16. Interfund transfers

Consistent with the Conservancy's policy, the Board of Directors recognized and carried out a transfer of funds from the Conservation Fund to the Land Stewardship Reserve Fund in the amount of \$360,634 (2019 - \$317,135). This transfer was made to support the Conservancy's initiatives and policies as described in the fund accounting section of Note 1(iv) as related to the Land Stewardship and Reserve Fund.

The Bruce Trail Conservancy

Notes to Financial Statements

Year ended June 30, 2020

17. Allocation of costs by function

Salaries and benefits represent the largest component of operating costs and are allocated to various functions to reflect the time spent in each area. Direct expenses are charged directly to the related area. Salaries and benefits have been allocated to the various functions as follows:

	June 30	
	2020	2019
Fundraising	\$ 373,433	\$ 336,289
Administrative	340,274	323,989
Land stewardship	193,955	156,790
Land securement	192,350	228,780
Marketing	138,213	38,603
Member and public outreach	136,122	220,223
Volunteer management	87,001	59,408
Committee and meeting expenses	58,798	238,001
Bruce Trail Enterprises and Magazine	44,624	17,334
Trail development and maintenance	33,414	19,484
Other functions	21,646	14,169
Annual general meeting	14,106	14,387
Government relations	12,967	20,499
	<u>\$ 1,646,903</u>	<u>\$ 1,687,956</u>

18. Government assistance

As part of the Government of Canada's economic response plan to the COVID-19 pandemic, it was declared that companies and organizations would be eligible for the Canada Emergency Wage Subsidy (CEWS). This program provides a wage subsidy to eligible employers up to December 19, 2020, retroactive to March 15, 2020. Management determined that the Organization was eligible for the CEWS based upon the established criteria and thus would be applying to receive the subsidy. The CEWS claim periods were predefined by the Government of Canada and management determined that the Organization was eligible for the subsidy in the total amount of \$192,208 related to the first, second and third claim periods (March 15, 2020 to June 6, 2020). The entire subsidy relates to the current fiscal year and has been recorded as other income in the statement of operations.

The CEWS is subject to review by the Government of Canada and its related authorities. Any resulting adjustments or required repayments that may result from the Government of Canada's review will be reflected in the year of settlement.

19. Employee retirement matching program

The Conservancy makes contributions towards employee retirement savings plans on behalf of its permanent full-time employees. A permanent employee is defined as working a minimum of 24 hours per week. The Conservancy matches the contributions made by each employee to a maximum of 3.00% of the employee's annual salary.

During the year, the Conservancy's contributions to employee retirement savings plans were \$38,035 (2019 - \$31,896).

The Bruce Trail Conservancy

Notes to Financial Statements

Year ended June 30, 2020

20. Economic interest

The Conservancy has an economic interest in nine clubs located along the Bruce Trail. Each club has accepted responsibility for developing and maintaining the portion of the trail located within its district, for assisting with the stewardship of the Conservancy's properties, conducting hikes for member and non-member public, public outreach, fundraising, and other related activities. These activities are conducted by each club using its own volunteers and financial resources, including a portion of the membership dues paid to the Conservancy and donations received by the Conservancy on behalf of the club. The Conservancy may provide special funding for projects beyond the resources of the clubs.

21. Financial instruments

Transactions in financial instruments may result in an entity assuming or transferring to another party one or more financial risks. The required disclosures provide information that assists users of the financial statements in assessing the extent of risk related to financial instruments:

(a) Liquidity risk

Liquidity risk is the risk that the Conservancy will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Conservancy manages its liquidity risk by monitoring its operating requirements and by preparing budgets and cash forecasts to ensure it has sufficient funds to fulfill its obligations. It is management's opinion that the Conservancy has raised sufficient funds and has the assets required to settle its obligations as they become due and does not anticipate the need to liquidate any long-term investments or utilize reserve funds.

(b) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates. Financial assets and liabilities with variable interest rates expose the Conservancy to cash flow interest rate risk. The Conservancy is exposed to this risk through its interest bearing investments and loans payable. Interest rate risk is managed by the Conservancy through the use of an investment portfolio manager and the construction of an investment portfolio comprised of equity and fixed yield securities with varying maturity and interest rates. Additional details regarding the Conservancy's investments are included in Note 4 and 5 and loans payable on are included in Note 12. Management believes that there has been no significant change in the interest rate risk exposure related to its financial assets and that the Conservancy has sufficient resources to mitigate the interest rate risk associated with its financial liabilities.

It is management's opinion that the Conservancy is not exposed to significant currency, credit, foreign exchange, or concentration risk.

The Bruce Trail Conservancy

Notes to Financial Statements

Year ended June 30, 2020

22. Impact of COVID-19 pandemic

On March 11, 2020, the World Health Organization declared the outbreak of the coronavirus ("COVID-19"), a pandemic resulting in economic uncertainties potentially affecting the Organization's cash flows, financial position and results of operations. It is not possible to reliably estimate the length or effect of these developments due to uncertainties including the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak, and actions that may be taken by government authorities to contain COVID-19 or to treat its impact.

23. Comparative amounts

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect the aggregate fund balances or the prior year results from operations.