

The Bruce Trail Conservancy

Financial Statements

June 30, 2022



August 23, 2022

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, 2022, and the statements of changes in fund balances, operations and cash flows, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the 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 Bruce Trail Conservancy as at June 30, 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, 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.

PETTINELLI MASTROLUISI LLP

CHARTERED PROFESSIONAL ACCOUNTANTS



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 Mastrolia LLP

**Chartered Professional Accountants
Licensed Public Accountants**

Hamilton, Ontario

The Bruce Trail Conservancy

Statement of Financial Position

June 30, 2022, with comparative information for 2021

	Capacity Fund	Conservation Fund	Contingency Reserve Fund	Land Stewardship Reserve Fund	Total June 30	
					2022	2021
Assets						
Current assets						
Cash and cash equivalents	\$ 702,783	\$ 6,460,482	\$ 4,564	\$ 433,158	\$ 7,600,987	\$ 2,923,508
Accounts receivable	2,647	1,220	-	-	3,867	18,328
Merchandise inventory	64,938	-	-	-	64,938	29,940
Prepaid expenses and deposits	169,365	40,991	-	-	210,356	116,618
Land held for sale	-	2,193,586	-	-	2,193,586	1,912,075
	<u>939,733</u>	<u>8,696,279</u>	<u>4,564</u>	<u>433,158</u>	<u>10,073,734</u>	<u>5,000,469</u>
Restricted cash and investments (Note 2)	-	587,151	-	322,064	909,215	919,039
Investments (Note 2)	-	-	1,056,863	3,163,696	4,220,559	3,930,026
Cash and investments held for endowment (Note 2 and 7)	-	-	-	105,370	105,370	83,863
Capital assets (Note 3)	<u>258,413</u>	<u>43,155,295</u>	<u>-</u>	<u>-</u>	<u>43,413,708</u>	<u>35,251,145</u>
	<u>\$ 1,198,146</u>	<u>\$ 52,438,725</u>	<u>\$ 1,061,427</u>	<u>\$ 4,024,288</u>	<u>\$ 58,722,586</u>	<u>\$ 45,184,542</u>
Liabilities						
Current liabilities						
Accounts payable and accrued liabilities (Note 4)	\$ 360,144	\$ 190,725	\$ -	\$ -	\$ 550,869	\$ 376,614
Deferred membership revenue (Note 5)	182,021	-	-	-	182,021	125,948
Deferred contributions and grants (Note 6)	-	-	-	-	-	25,000
	<u>542,165</u>	<u>190,725</u>	<u>-</u>	<u>-</u>	<u>732,890</u>	<u>527,562</u>
Deferred membership revenue (Note 5)	<u>371,170</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>371,170</u>	<u>253,777</u>
	<u>913,335</u>	<u>190,725</u>	<u>-</u>	<u>-</u>	<u>1,104,060</u>	<u>781,339</u>
Fund Balances						
Unrestricted	26,398	8,505,554	-	-	8,531,952	4,076,264
Internally restricted	-	-	1,061,427	3,602,224	4,663,651	4,081,755
Externally restricted (Notes 2 and 7)	-	587,151	-	322,064	909,215	919,039
Endowments (Notes 2 and 7)	-	-	-	100,000	100,000	75,000
Invested in capital assets	<u>258,413</u>	<u>43,155,295</u>	<u>-</u>	<u>-</u>	<u>43,413,708</u>	<u>35,251,145</u>
	<u>284,811</u>	<u>52,248,000</u>	<u>1,061,427</u>	<u>4,024,288</u>	<u>57,618,526</u>	<u>44,403,203</u>
	<u>\$ 1,198,146</u>	<u>\$ 52,438,725</u>	<u>\$ 1,061,427</u>	<u>\$ 4,024,288</u>	<u>\$ 58,722,586</u>	<u>\$ 45,184,542</u>
Commitments (Note 8)						
Contingencies (Note 9)						

See accompanying notes to financial statements.

Approved by the Board:



Leah Myers, Board Chair



Heidi Bischof, Chair of Finance & Risk

The Bruce Trail Conservancy

Statement of Changes in Fund Balances

Year ended June 30, 2022, with comparative information for 2021

	<u>Capacity Fund</u>	<u>Conservation Fund</u>	<u>Contingency Reserve Fund</u>	<u>Land Stewardship Reserve Fund</u>	<u>Total Year ended June 30</u>	
					<u>2022</u>	<u>2021</u>
Fund balance, beginning of year	\$ 216,824	\$ 39,703,736	\$ 1,115,808	\$ 3,366,835	\$ 44,403,203	\$ 30,324,345
Excess (deficiency) of revenues over expenses for the year	(132,013)	3,421,011	(54,381)	(165,083)	3,069,534	3,104,159
Donations and grants restricted for the purchase of land and easements (Note 7)	-	10,102,389	-	-	10,102,389	9,487,699
Donations of land and easements (Note 7)	-	18,400	-	-	18,400	1,462,000
Endowment contributions (Note 7)	-	-	-	25,000	25,000	25,000
Interfund transfers (Note 10)	<u>200,000</u>	<u>(997,536)</u>	<u>-</u>	<u>797,536</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u>\$ 284,811</u>	<u>\$ 52,248,000</u>	<u>\$ 1,061,427</u>	<u>\$ 4,024,288</u>	<u>\$ 57,618,526</u>	<u>\$ 44,403,203</u>

See accompanying notes to financial statements.

The Bruce Trail Conservancy

Statement of Operations

Year ended June 30, 2022, with comparative information for 2021

	Capacity Fund	Conservation Fund	Contingency Reserve Fund	Land Stewardship Reserve Fund	Total	
					Year ended June 30 2022	2021
Revenues						
Donations of cash and securities (Note 7)	\$ 53,449	\$ 5,313,325	\$ -	\$ -	\$ 5,366,774	\$ 3,027,108
Interest and realized investment income	72	716,035	16,978	88,066	821,151	692,458
Membership dues - Conservancy's portion	486,706	-	-	-	486,706	443,950
Bruce Trail Enterprises	319,721	-	-	-	319,721	487,058
Membership dues - Clubs' portion	137,514	-	-	-	137,514	141,904
Grants	-	82,169	-	-	82,169	73,260
Sponsorships	75,000	-	-	-	75,000	75,000
Rental income	-	47,900	-	-	47,900	43,460
Miscellaneous income	1,824	-	-	-	1,824	2,661
	<u>1,074,286</u>	<u>6,159,429</u>	<u>16,978</u>	<u>88,066</u>	<u>7,338,759</u>	<u>4,986,859</u>
Expenses (Note 11)						
Fundraising	-	619,856	-	-	619,856	551,575
Administrative salaries and benefits	421,569	-	-	-	421,569	347,340
Land securement	-	347,627	-	-	347,627	250,981
Land stewardship	-	331,768	-	-	331,768	323,883
Communications and engagement	-	321,164	-	-	321,164	270,167
Member and public outreach	-	268,198	-	-	268,198	147,964
Bruce Trail Enterprises	215,604	-	-	-	215,604	289,213
Committee and meeting expenses	-	151,217	-	-	151,217	103,386
Clubs' share of membership dues	137,626	-	-	-	137,626	141,904
Trail development and maintenance	-	136,500	-	-	136,500	100,660
Land management and property taxes	-	128,040	-	-	128,040	83,812
Computer and internet	77,016	41,010	-	-	118,026	112,700
Rent, utilities and maintenance	72,948	38,845	-	-	111,793	111,978
Volunteer management	-	107,084	-	-	107,084	66,459
Insurance	66,533	35,428	-	-	101,961	86,823
Bruce Trail Magazine	-	98,433	-	-	98,433	117,526
Miscellaneous	45,695	24,332	-	-	70,027	33,599
Bank and service charges	39,188	20,866	-	-	60,054	62,413
Amortization	24,613	28,506	-	-	53,119	52,698
Landowner relations	-	52,915	-	-	52,915	19,951
Donations forwarded to clubs	39,973	-	-	-	39,973	27,283
Investment management fees	-	-	5,295	32,847	38,142	16,998
Professional fees	18,124	9,651	-	-	27,775	24,692
Office and general	15,409	8,842	-	-	24,251	17,991
Staff expenses and travel	11,278	6,005	-	-	17,283	14,586
Annual general meeting	-	15,897	-	-	15,897	34,261
Life insurance	13,476	-	-	-	13,476	14,346
Office equipment rental and maintenance	8,378	4,461	-	-	12,839	11,788
	<u>1,207,430</u>	<u>2,796,645</u>	<u>5,295</u>	<u>32,847</u>	<u>4,042,217</u>	<u>3,436,977</u>
Excess (deficiency) of revenues over expenses from operations	<u>(133,144)</u>	<u>3,362,784</u>	<u>11,683</u>	<u>55,219</u>	<u>3,296,542</u>	<u>1,549,882</u>
Other income (expenses)						
Gain on sale of capital assets	-	57,625	-	-	57,625	1,088,268
Foreign currency exchange gain	1,131	602	-	-	1,733	35,075
Government assistance	-	-	-	-	-	55,673
Increase in cash surrender value and gain on life insurance	-	-	-	-	-	168,405
(Decrease) increase in unrealized gains from investments	-	-	(66,064)	(220,302)	(286,366)	206,856
	<u>1,131</u>	<u>58,227</u>	<u>(66,064)</u>	<u>(220,302)</u>	<u>(227,008)</u>	<u>1,554,277</u>
Excess (deficiency) of revenues over expenses for the year	<u>\$ (132,013)</u>	<u>\$ 3,421,011</u>	<u>\$ (54,381)</u>	<u>\$ (165,083)</u>	<u>\$ 3,069,534</u>	<u>\$ 3,104,159</u>

See accompanying notes to financial statements.

The Bruce Trail Conservancy

Statement of Cash Flows

Year ended June 30, 2022, with comparative information for 2021

	Year ended June 30	
	2022	2021
Operating activities		
Excess of revenues over expenses for the year	\$ 3,069,534	\$ 3,104,159
Items not involving cash:		
Amortization	53,119	52,698
Increase in cash surrender value and gain on life insurance	-	(168,405)
Decrease (increase) in unrealized gains from investments	286,366	(206,856)
Gain on sale of capital assets	(57,625)	(1,088,268)
Recognition of deferred contributions and grants related to expenses of future periods	(25,000)	(58,375)
	<u>3,326,394</u>	<u>1,634,953</u>
Net change in non-cash working capital balances relating to operations:		
Decrease (increase) in accounts receivable	14,461	(6,064)
(Increase) decrease in merchandise inventory	(34,998)	46,764
(Increase) decrease in prepaid expenses and deposits	(93,738)	33,394
Increase in accounts payable and accrued liabilities	174,255	83,362
Increase in deferred membership revenue	173,466	87,034
	<u>3,559,840</u>	<u>1,879,443</u>
Financing activities		
Contributions and grants received related to expenses of future periods	-	25,000
Donations restricted for the purchase of land and easements	10,102,389	9,487,699
Endowment contributions	25,000	25,000
Repayment of loans payable	-	(858,188)
	<u>10,127,389</u>	<u>8,679,511</u>
Investing activities		
Contribution to Parks Canada Agency	-	(1,400,000)
Proceeds on life insurance payout	-	300,000
Proceeds on sale of land assets	1,969,700	2,046,243
Purchase of investments, net	(789,082)	(1,207,715)
Purchase of land and easements	(7,914,803)	(7,490,033)
Purchase of land held for sale	(2,193,586)	(1,912,075)
Purchase of other capital assets	(282,479)	(23,824)
Redemption of short-term investment	-	1,400,000
	<u>(9,210,250)</u>	<u>(8,287,404)</u>
Increase in cash and cash equivalents	4,476,979	2,271,550
Cash and cash equivalents, beginning of year	<u>3,736,159</u>	<u>1,464,609</u>
Cash and cash equivalents, end of year	<u>\$ 8,213,138</u>	<u>\$ 3,736,159</u>
Cash and cash equivalents consists of:		
Cash and cash equivalents	\$ 7,600,987	\$ 2,923,508
Restricted cash (Note 2)	587,151	787,651
Cash held for endowment (Note 2 and 7)	25,000	25,000
	<u>\$ 8,213,138</u>	<u>\$ 3,736,159</u>

See accompanying notes to financial statements.

The Bruce Trail Conservancy

Notes to Financial Statements

June 30, 2022

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 using the weighted average.

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

Capital assets under development are not amortized until the assets are substantially complete and available use. At such time the capital assets will be amortized at a method and rate designed to amortize the cost of the assets over their estimated useful lives.

The Bruce Trail Conservancy

Notes to Financial Statements

June 30, 2022

1. Significant accounting policies, continued

Capital assets, continued

Land, easements and trademarks are not amortized. Expenditures for maintenance and repairs are charged to excess (deficiency) of revenues over expenses as incurred.

On occasion and as part of the Conservancy's strategic initiatives to acquire targeted land along the route of the Bruce Trail, certain parcels are acquired which will not be retained. When land is not expected to be retained it is presented as land held for sale when management commits to a plan to sell at a reasonable price and locate a buyer, it is available for sale immediately, the sale is likely to occur within one year and it is unlikely that there will be a significant change to the plan. Land held for sale is not amortized, is measured at the lower of its carrying amount or fair value less cost to sell and is presented as a current asset in the statement of financial position.

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.

The Bruce Trail Conservancy

Notes to Financial Statements

June 30, 2022

1. Significant accounting policies, continued

Fund accounting, continued

(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.

(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.

The Bruce Trail Conservancy

Notes to Financial Statements

June 30, 2022

1. Significant accounting policies, continued

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.

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.

(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 expenses 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.

The Bruce Trail Conservancy

Notes to Financial Statements

June 30, 2022

2. Restricted cash and investments

	2022		2021	
	Market	Cost	Market	Cost
Canadian Equity SRI Fund	\$ 2,154,099	\$ 1,981,487	\$ 1,510,711	\$ 1,334,338
Global Equity SRI Fund	1,412,032	1,547,475	1,497,973	1,420,507
Money Market Fund	601,675	603,478	601,934	603,730
Bond Fund	357,306	414,726	404,757	406,296
Total Return Bond Fund	97,881	106,390	104,902	103,191
	<u>\$ 4,622,993</u>	<u>\$ 4,653,556</u>	<u>\$ 4,120,277</u>	<u>\$ 3,868,062</u>

As at the year-end date, the Conservancy held cash of \$587,151 (2021 - \$593,151) 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, an aggregate amount of approximately \$300,000 is required to be retained and is restricted for such purpose. As at the year-end date, \$322,064 (2021 - \$325,888) has been recorded as restricted cash and investments related to specific land stewardship agreements of which \$Nil (2021 - \$194,500) 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 7. As of the year-end date, the full amount received during the year was held as cash for future investment.

The Bruce Trail Conservancy

Notes to Financial Statements

June 30, 2022

3. Capital assets

Capacity Fund

	June 30			
	Cost	Accumulated amortization	2022 Net book value	2021 Net book value
Computer equipment and software	\$ 180,006	\$ (140,909)	\$ 39,097	\$ 36,819
Leasehold improvements	72,651	(44,690)	27,961	35,555
Furniture, fixtures and equipment	81,000	(63,146)	17,854	21,513
Trademarks	24,039	-	24,039	24,039
Capital assets under development	149,462	-	149,462	-
	<u>\$ 507,158</u>	<u>\$ (248,745)</u>	<u>\$ 258,413</u>	<u>\$ 117,926</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

	June 30			
	Cost	Accumulated amortization	2022 Net book value	2021 Net book value
Land and easements	\$ 42,571,857	\$ -	\$ 42,571,876	\$ 34,638,654
Pedestrian bridge	378,525	(137,215)	241,310	250,773
Buildings	436,308	(228,721)	207,587	222,445
Fence	58,732	(8,191)	50,541	21,347
Capital assets under development	83,981	-	83,981	-
	<u>\$ 43,529,403</u>	<u>\$ (374,127)</u>	<u>\$ 43,155,295</u>	<u>\$ 35,133,219</u>

As at June 30, 2022, the Conservancy owned 187 parcels (2021 - 156 parcels), including severed portions held for sale, totaling 8,690 acres (2021 - 7,696 acres).

The Bruce Trail Conservancy

Notes to Financial Statements

June 30, 2022

4. Accounts payable and accrued liabilities

Included in accounts payable and accrued liabilities are government remittances payable of \$115,182 (2021 - \$95,171), which includes amounts payable for sale taxes, payroll related taxes and WSIB premiums.

5. Deferred membership revenue

The Conservancy offers three membership options. These options include a one year, a three year, or a life membership. One year memberships are recognized as revenue in the year in which they are issued. Three year memberships are recognized as revenue evenly over three years. With the purchase of a three year membership, members save \$15 (2021 - \$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 (2021 - \$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	
	2022	2021
Current:		
Three year memberships	\$ 158,903	\$ 109,037
Life memberships	23,118	16,911
	<u>182,021</u>	<u>125,948</u>
Long-term:		
Three year memberships	88,068	70,791
Life membership	283,102	182,986
	<u>371,170</u>	<u>253,777</u>
	<u>\$ 553,191</u>	<u>\$ 379,725</u>

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	
	2022	2021
Three year memberships - current portion	\$ 38,631	\$ 27,753
Three year memberships - long-term portion	20,548	18,084
Life memberships - current portion	5,328	3,953
Life memberships - long-term portion	64,439	42,180
	<u>\$ 128,946</u>	<u>\$ 91,970</u>

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Notes to Financial Statements

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6. 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	
	2022	2021
Balance, beginning of year	\$ 25,000	\$ 58,375
Add: Contributions and grants received and deferred	-	25,000
Less: Contributions recognized as revenue	<u>(25,000)</u>	<u>(58,375)</u>
	<u>\$ -</u>	<u>\$ 25,000</u>

7. Donations

During the year the Conservancy received donations, donations of land and easements in-kind, and endowment contributions totaling \$15,512,563 (2021 - \$14,001,807). 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 \$10,102,389 (2021 - \$9,487,699) and \$18,400 (2021 - \$1,462,000) 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.

(ii) Unrestricted

The Conservancy received \$5,366,774 (2021 - \$3,027,108) 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.

The Bruce Trail Conservancy

Notes to Financial Statements

June 30, 2022

7. Donations, continued

(iii) Endowment contributions

During the year, the Conservancy received and recognized \$25,000 (2021 - \$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 \$100,000 (2021 - \$75,000). As such, the aggregate maximum initial endowment contribution of \$100,000 was reached in the current fiscal year. These funds are 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.

8. Commitments

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

2023	\$	128,100
2024		129,000
2025		129,000
2026		97,700
2027		<u>1,800</u>
	\$	<u>485,600</u>

9. 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, 2022, 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.

The Bruce Trail Conservancy

Notes to Financial Statements

June 30, 2022

10. 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 \$797,536 (2021 - \$783,900) and a transfer from the Conservation Fund to the Capacity Fund in the amount of \$200,000 (2021 - \$Nil). These transfers were 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 Reserve Fund in addition to supporting other objectives of the Conservancy.

11. 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	
	2022	2021
Fundraising	\$ 469,607	\$ 413,917
Administrative	421,569	347,340
Communications and engagement	227,992	255,240
Land securement	224,083	184,080
Member and public outreach	200,333	79,751
Land stewardship	197,957	230,347
Volunteer management	84,924	62,774
Committee and meeting expenses	79,959	58,648
Trail development and maintenance	69,069	31,122
Other functions	53,695	26,091
Bruce Trail Enterprises and Magazine	22,916	37,532
Government relations	6,197	5,562
Annual general meeting	3,226	9,562
	<u>\$ 2,061,527</u>	<u>\$ 1,741,966</u>

12. 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 \$45,770 (2021 - \$41,520).

The Bruce Trail Conservancy

Notes to Financial Statements

June 30, 2022

13. 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.

14. Financial instruments

Transactions in financial instruments may result in an entity assuming or transferring to another party one or more financial risks. The following 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. 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 2. 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.

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June 30, 2022

15. 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 Conservancy's cash flows, financial position and results of operations. At this time, it is unknown the extent of the impact that the COVID-19 outbreak may have on the Conservancy as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence.

During the year, government and internal restrictions became less imposing and some of the Conservancy's operations were permitted to return to pre-pandemic norms. In addition, certain government support programs such as the Canada Emergency Wage Subsidy were discontinued during the fiscal year. In spite of the pandemic, the Conservancy continued to receive strong donor support and experienced an uptake in memberships.