

Financial statements of

Federation of Ontario Naturalists
(Operating as Ontario Nature)

February 29, 2012

Federation of Ontario Naturalists

(Operating as Ontario Nature)

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Independent Auditor's Report

To the Members of
Federation of Ontario Naturalists
(Operating as Ontario Nature)

We have audited the accompanying financial statements of the Federation of Ontario Naturalists (the "Organization"), which comprise the balance sheet as at February 29, 2012 and the statements of revenue and expenses, changes in fund balances, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Except as explained in the following paragraph, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Qualified Opinion

In common with many charitable organizations, the Organization derives revenue from 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 Organization and we were not able to determine whether any adjustments might be necessary to donations revenue and excess of revenue over expenses for the year ended February 29, 2012 and February 28, 2011, assets as at February 29, 2012 and February 28, 2011 and fund balances as at March 1, 2010, February 28, 2011, March 1, 2011 and February 29, 2012.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Organization as at February 29, 2012, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
Licensed Public Accountants
May 15, 2012

Federation of Ontario Naturalists


(Operating as Ontario Nature)

Balance sheet


as at February 29, 2012

	2012	2011
	\$	\$
Assets		
Current assets		
Cash and term deposits	107,317	171,225
Accounts receivable	251,490	180,678
Prepaid expenses	47,150	48,700
	405,957	400,603
Investments (Note 3)	2,466,823	2,826,004
Easements (Note 4)	893,000	893,000
Capital assets (Note 5)	3,306,233	3,116,424
	7,072,013	7,236,031
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	162,396	127,221
Deferred revenue (Note 6)	240,930	380,267
	403,326	507,488
Fund balances		
Invested in Capital Assets	3,306,233	3,116,424
Internally restricted - Capital	1,202,525	1,518,699
Externally restricted - Nature Trust/Nature Reserve	2,159,929	2,093,420
	6,668,687	6,728,543
	7,072,013	7,236,031

Approved on behalf of the Board



Director



Director

Federation of Ontario Naturalists

(Operating as Ontario Nature)

Statement of revenue and expenses

year ended February 29, 2012

					2012	2011
	Invested in Capital Assets Fund (Note 5)	Operating Fund	Internally restricted (Capital Fund)	Externally restricted (Nature Trust/Nature Reserve Fund)	Total	Total
	\$	\$	\$	\$	\$	\$
Revenue						
Publication - "ON Nature"	-	162,139	-	-	162,139	194,563
Donations	-	612,579	-	277,738	890,317	965,354
Bequests	-	5,250	246,042	-	251,292	374,945
Investment income	-	-	40,244	34,446	74,690	122,974
Other income	-	32,273	-	9,150	41,423	49,458
Grants	167,902	985,420	-	6,848	1,160,170	1,335,827
	167,902	1,797,661	286,286	328,182	2,580,031	3,043,121
Expenses						
Conservation and education programs	-	1,097,363	-	207,518	1,304,881	1,160,046
Member services	-	150,554	-	-	150,554	149,164
Publication - "ON Nature"	-	240,494	-	-	240,494	279,960
Development	-	446,375	12,487	-	458,862	377,531
Public relations and communications	-	151,087	-	-	151,087	104,850
Administration costs	-	168,330	19,213	16,633	204,176	214,446
Rental properties and other	27,386	2,476	-	-	29,862	41,060
	27,386	2,256,679	31,700	224,151	2,539,916	2,327,057
Excess of revenue over expenses (expenses over revenue)	140,516	(459,018)	254,586	104,031	40,115	716,064

Federation of Ontario Naturalists

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Statement of changes in fund balances

year ended February 29, 2012

					2012	2011
	Invested in Capital Assets Fund	Operating Fund	Internally restricted (Capital Fund)	Externally restricted (Nature Trust/Nature Reserve Fund)	Total	Total
	\$	\$	\$	\$	\$	\$
Fund balances, beginning of year	3,116,424	-	1,334,750	1,990,588	6,441,762	5,725,698
Excess of revenue over expenses (expenses over revenue)	140,516	(459,018)	254,586	104,031	40,115	716,064
Purchase of capital assets (net of donations and grants) (Note 5)	49,293	(49,293)	-	-	-	-
Inter-fund transfer	-	508,311	(508,311)	-	-	-
	3,306,233	-	1,081,025	2,094,619	6,481,877	6,441,762
Unrealized gain reported directly in the statement of						
Fund balances, beginning of year	-	-	183,949	102,832	286,781	124,835
Change in unrealized (loss) gain on investments during the year	-	-	(72,654)	(46,656)	(119,310)	201,991
Reclassification of losses (gains) recognized in the statement of						
revenue and expenses on available for sale financial assets	-	-	10,205	9,134	19,339	(40,045)
Unrealized gain reported directly in the statement of						
Fund balances, end of year	-	-	121,500	65,310	186,810	286,781
Fund balances, end of year	3,306,233	-	1,202,525	2,159,929	6,668,687	6,728,543

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Statement of cash flows

year ended February 29, 2012

	2012	2011
	\$	\$
Operating activities		
Excess of revenue over expenses	40,115	716,064
Items not affecting cash		
Amortization	27,386	24,184
Donation of property	-	(28,000)
Loss (gain) on sale of investments	19,339	(40,045)
	86,840	672,203
Changes in non-cash operating items		
Accounts receivable	(70,812)	(4,342)
Inventories	-	3,071
Prepaid expenses	1,550	(349)
Accounts payable and accrued liabilities	35,175	(34,286)
Deferred revenue	(139,337)	(147,741)
	(86,584)	488,556
Investing activities		
Purchase of capital assets	(217,195)	(518,840)
Sale (Purchase) of investments - net	239,871	(156,340)
	22,676	(675,180)
Net decrease in cash and term deposits	(63,908)	(186,624)
Cash and term deposits, beginning of year	171,225	357,849
Cash and term deposits, end of year	107,317	171,225

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Notes to the financial statements

February 29, 2012

1. Nature of organization

The Federation of Ontario Naturalists (the "Federation") is a charitable organization registered under the Income Tax Act. In operation since 1931, the Federation's mission is to protect Ontario's wild species and wild spaces through conservation, education and public engagement.

2. Summary of significant accounting policies

Financial statement presentation

These financial statements have been prepared in accordance with the accounting standards for Not-for-profit organizations, using the restricted fund method of reporting restricted contributions.

Financial instruments

The Federation has classified each of its financial instruments into the following accounting categories. The category for an item determines its subsequent accounting.

<u>Asset/liability</u>	<u>Category</u>	<u>Measurement</u>
Cash and term deposits	Held for trading	Fair value
Investments	Available for sale	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Accounts payable and accrued liability	Other liabilities	Amortized cost

- Held for trading items are carried at fair value, with changes in their fair value recognized in the statement of revenue and expenses.
- Available for sale items are carried at fair value, with unrealized changes in their fair value recognized in the statement of changes in fund balances. When realized, the gain (loss) is recognized in the statement of revenue and expenses and removed from the statement of changes in fund balances.
- Loans and receivable are carried at amortized cost, using the effective interest method, net of any impairment. The amortized cost approximates fair value.
- Other liabilities are carried at amortized cost, using the effective interest method. The amortized cost approximates fair value.

The fair value for investments is determined directly from published price quotations in an active market.

Transaction costs are expensed as incurred.

As allowed under Section 3855 "Financial Instruments - Recognition and Measurement", the Organization has elected not to account for non-financial contracts as derivatives, and not to account for embedded derivatives in non-financial contracts, leases and insurance contracts as embedded derivatives.

The Organization has elected to follow the disclosure requirements of Section 3861 "Financial Instruments - Disclosure and Presentation" of the CICA Handbook.

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February 29, 2012

2. Summary of significant accounting policies (continued)

Revenue recognition

Donations, bequests and grants are recorded when received. Donations, which have been restricted through specific direction from a contributor and for which no restricted fund exists are deferred and recorded as revenue when the related expense occurs. Project grants received in advance of the related expense and for which no specific fund exists are recorded as deferred revenue. Donations and grants received specifically for the purchase of depreciable capital assets are deferred and amortized to revenue on the same basis as the related capital asset. Donations and grants received for non-depreciable assets are recorded as revenue. Publication subscriptions are recorded when the publication is issued. Interest income is recognized on the accrual basis, while dividend income is recognized when declared.

Fund accounting

In order to ensure observance of the limitations and restrictions placed on the use of resources available to the Federation, the accounts are maintained in accordance with the principles of fund accounting. Accordingly, resources are classified for accounting and reporting purposes into funds. These funds are held in accordance with the objectives specified by the donors. For financial reporting purposes the accounts have been classified into the following funds:

Operating Fund - reflecting the income and expenses associated with the Federation's program delivery and administrative activities and various environmental programs.

Capital Fund - reflects the consolidation of internally restricted funds.

Nature Trust/Nature Reserve Fund - reflecting the externally restricted income and expenses relating to the nature reserves maintained by the Federation.

Invested in Capital Assets Fund - reflects the Federation's net investment in capital assets (net book value less any related capital grants and financing).

Capital assets

Capital assets are recorded at cost, or fair market value in the case of donated property. Leasehold improvements are amortized over the lease term. Buildings, equipment and fixtures and computer equipment are amortized on a straight-line basis over their average estimated useful lives, estimated as follows:

Buildings	5%
Equipment and fixtures	20%
Computer equipment	33 1/3%
Leasehold improvement	over the life of the lease

Easements

Easements are stated at cost.

Deferred revenue

Deferred revenue includes revenue received during the year which will be used to fund specific programs in subsequent years, as well as unearned publication subscriptions and memberships.

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Notes to the financial statements

February 29, 2012

2. Summary of significant accounting policies (continued)

Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenue and expenses for the year then ended. Actual results may differ from such estimates. Accounts which require some degree of estimation are investments and those that are impacted by allocation of expenses.

Allocation of expenses

General support costs consisting of salaries and benefits, rent and other have been allocated to program expenses based on the estimated benefit to the program. Such allocations are reviewed regularly by management.

Future accounting changes

On December 9, 2010, the CICA issued accounting standards for Not-for-profit organizations Part III of the CICA Handbook - Accounting). Effective for fiscal years beginning on or after January 1, 2012, Not-for-profit organizations are required to adopt either Part III of the CICA Handbook - Accounting, or International Financial Reporting Standards (Part I of the CICA Handbook - Accounting). The Federation has adopted Part III of the CICA Handbook – Accounting for the fiscal year beginning March 1, 2012.

3. Investments

	2012		2011	
	Fair Value	Cost	Fair Value	Cost
	\$	\$	\$	\$
Fixed income	660,832	647,581	615,629	613,760
Foreign equities	287,325	275,302	336,894	319,077
Canadian equities	439,921	382,856	632,098	490,017
Global balanced fund	1,078,745	974,274	1,241,383	1,116,369
	2,466,823	2,280,013	2,826,004	2,539,223

4. Easements

A conservation easement is a legal agreement by which a landowner voluntarily restricts or limits the type and amount of development that may take place on his or her land to conserve its natural features. Once registered on title, the agreement runs with the title and binds all future owners.

The Federation has title to the following easements:

	2012	2011
	\$	\$
Almack Pickering, Ontario	293,000	293,000
Connell Brockton, Ontario	600,000	600,000
	893,000	893,000

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5. Capital assets

	2012			2011		
	Cost	Accumulated depreciation	Net book value	Cost	Accumulated depreciation	Net book value
	\$	\$	\$	\$	\$	\$
Land	3,124,072	-	3,124,072	2,942,306	-	2,942,306
Buildings	519,669	369,670	149,999	519,669	357,378	162,291
Equipment and fixtures	76,290	54,715	21,575	49,322	49,138	184
Computer equipment	206,704	196,117	10,587	198,243	186,600	11,643
Leasehold improvements	-	-	-	33,818	33,818	-
	3,926,735	620,502	3,306,233	3,743,358	626,934	3,116,424

Buildings consist of structures on two nature reserves, which are each valued at a nominal amount, and various structures in King Township, Ontario, which are carried at net book value.

During the year, the Federation purchased land to add to its nature reserves for \$181,765 (2011 - \$504,000), of which \$167,902 (2011 - \$504,000) was funded by donations and government grants.

6. Deferred revenue

Deferred revenue is comprised of:

	2012	2011
	\$	\$
Deferred membership fees	14,414	26,091
Deferred publication subscriptions	43,945	57,481
Deferred project funding	182,571	296,695
	240,930	380,267

7. Lease commitments

The Federation of Ontario Naturalists is committed to the following annual lease payments for office space and equipment for the years ending February 28:

	\$
2013	191,722
2014	194,499
2015	189,063
2016	195,519
2017	189,261
Thereafter	954,565
	1,914,629

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8. Unconsolidated controlled charity

The Foundation for Ontario Nature was incorporated on April 18, 2002 without share capital and is registered with the Canada Revenue Agency, Taxation as a charity within the meaning of the Income Tax Act. The Federation approves the appointment of the Foundation's Board of Directors.

The Foundation commenced active fundraising activities on May 1, 2003.

In August, 2008 the Board of the Foundation agreed to transfer all assets of the Foundation and cease operations until further directed by the Board.

Consolidated financial statements have not been prepared, as financial statements for this unconsolidated entity consist of a \$Nil balance sheet as at February 29, 2012 and February 28, 2011.

9. Credit facility

The Federation has a line of credit of \$75,000, secured by a general security agreement, of which \$Nil (2011 - \$Nil) had been drawn at the year-end.

10. Guarantees

Indemnity has been provided to all directors and/or officers of the Federation for various items including, but not limited to, all costs to settle suits or actions due to their association with the Federation, subject to certain restrictions. The Federation has purchased directors' and officers' liability insurance to mitigate the cost of any potential future suits or actions. The maximum amount of any potential future payment cannot be reasonably estimated.

11. Capital management

The Federation considers its externally restricted Nature Trust/Nature Reserve Fund and deferred project funding as its capital and has complied with the terms relating thereto.

12. Allocation of general support costs

The Federation has allocated its general support costs as follows:

	2012		
	Salaries and benefits	Rent and other	Total
	\$	\$	\$
Conservation and education programs	120,367	137,832	258,199
Member services	6,356	25,068	31,424
Publication - "ON Nature"	10,384	14,311	24,695
Development	38,974	62,825	101,799
Public relations and communications	20,767	24,168	44,935
Administration costs	78,823	22,572	101,395
	275,671	286,776	562,447

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Notes to the financial statements

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12. Allocation of general support costs (continued)

	2011		
	Salaries and benefits	Rent and other	Total
	\$	\$	\$
Conservation and education programs	128,272	156,275	284,547
Member services	6,240	25,857	32,097
Publication - "ON Nature"	11,871	21,438	33,309
Development	39,258	46,759	86,017
Public relations and communications	13,430	23,328	36,758
Administration costs	71,372	23,321	94,693
	<u>270,443</u>	<u>296,978</u>	<u>567,421</u>

13. Risk management

Interest rate risk

The Organization is exposed to interest rate risk with respect to its short-term investments. Changes in the prime interest rate will have a positive or negative impact on the Organization's investment income. Such exposure will increase accordingly should the Organization maintain higher levels of investments in the future.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Organization's investment policy defines permitted investments and provides guidelines and restrictions on acceptable investments which minimizes credit risk.

Foreign exchange risk

Foreign exchange 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. The Organization invests in foreign equities and is therefore directly exposed to currency risk as the value of the equities denominated in other currencies will fluctuate due to changes in exchange rates.

14. Subsequent event

On March 30, 2012, the Federation purchased land located in South Bruce Peninsula, Ontario at a cost of \$482,000 all of which has been funded by donations.