

**THE GEORGIAN BAY TRUST
FOUNDATION INC.
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2016**

THE GEORGIAN BAY TRUST FOUNDATION INC.

DECEMBER 31, 2016

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INDEPENDENT AUDITOR'S REPORT

To the Members of The Georgian Bay Trust Foundation Inc.

We have audited the accompanying financial statements of The Georgian Bay Trust Foundation Inc. which comprise the statement of financial position as at December 31, 2016, and the statements of operations and changes in net assets 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 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.

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 judgement, 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 organization's preparation and fair representation 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 organization'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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Basis for Qualified Opinion

In common with many charitable organizations, The Georgian Bay Trust Foundation Inc. derives revenue from donations and fundraising activities the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of The Georgian Bay Trust Foundation Inc. and we were not able to determine whether any adjustments might be necessary to donations and fundraising revenue, excess of revenues over expenditures, and cash flows from operations for the year ended December 31, 2016, current assets and net assets as at December 31, 2016.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, these financial statements present fairly, in all material respects, the financial position of The Georgian Bay Trust Foundation Inc. as at December 31, 2016 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

CHARTERED ACCOUNTANTS

LICENSED PUBLIC ACCOUNTANTS

TORONTO, CANADA

APRIL 25, 2017

THE GEORGIAN BAY TRUST FOUNDATION INC.

STATEMENT OF FINANCIAL POSITION

	December 31	
	<u>2016</u>	<u>2015</u>
	\$	\$
ASSETS		
CURRENT		
Cash and cash equivalents		
General	150,088	42,417
Deferred land acquisition contributions	-	696,195
Land acquisition fund	161,595	149,139
Working capital fund	<u>450,000</u>	<u>300,000</u>
	761,683	1,187,751
Sundry receivables	26,254	52,860
HST rebate receivable	61,956	8,093
Prepays	<u>13,295</u>	<u>14,662</u>
	863,188	1,263,366
PROPERTY AND EQUIPMENT (Note 2)	30,321,920	26,293,583
STEWARDSHIP AND ENDOWMENT FUNDS (Note 3)	1,523,293	1,341,127
WALLY AND MARILYN KING AND FAMILY FUND (Note 3)	<u>113,615</u>	<u>112,115</u>
	<u><u>32,822,016</u></u>	<u><u>29,010,191</u></u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	24,995	12,998
Deferred contributions	60,691	703,695
Loan payable (Note 4)	25,000	25,000
Current portion of mortgage payable (Note 5)	<u>37,778</u>	<u>39,543</u>
	148,464	781,236
MORTGAGE PAYABLE (Note 5)	<u>-</u>	<u>37,778</u>
	<u>148,464</u>	<u>819,014</u>
NET ASSETS		
UNRESTRICTED NET ASSETS	165,907	97,534
INTERNALLY RESTRICTED NET ASSETS	611,595	449,139
EXTERNALLY RESTRICTED NET ASSETS	1,636,908	1,453,242
NET ASSETS INVESTED IN PROPERTY	<u>30,259,142</u>	<u>26,191,262</u>
	<u>32,673,552</u>	<u>28,191,177</u>
	<u><u>32,822,016</u></u>	<u><u>29,010,191</u></u>

The accompanying notes are an integral part of these statements.

APPROVED ON BEHALF OF THE BOARD:

_____ MEMBER

_____ MEMBER

_____ DATE

THE GEORGIAN BAY TRUST FOUNDATION INC.

STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS

	Operating Fund \$	Invested In Property \$	Externally Restricted		Internally Restricted		Year Ended 2016 Total \$	December 31 2015 Total \$
			Stewardship Funds and Endowment \$	Wally and Marilyn King and Family Fund \$	Land Acquisition Fund \$	Working Capital Fund \$		
REVENUES								
Award - GLBC	64,876	196,442	30,000	-	-	-	291,318	41,224
Donations - Land	-	3,183,000	-	-	-	-	3,183,000	2,375,000
Donations - Stewardship and land acquisition	-	544,203	152,166	-	77,352	-	773,721	135,263
Government grants	97,450	115,500	-	-	-	-	212,950	5,280
Donations	289,074	-	-	5,000	4,189	-	298,263	318,328
Events	61,685	-	-	-	-	-	61,685	81,370
Investment	188,373	-	-	-	-	-	188,373	75,542
Miscellaneous	<u>1,335</u>	-	-	-	-	-	<u>1,335</u>	<u>3,489</u>
	<u>702,793</u>	<u>4,039,145</u>	<u>182,166</u>	<u>5,000</u>	<u>81,541</u>	<u>-</u>	<u>5,010,645</u>	<u>3,035,496</u>
EXPENDITURES (Schedules pages 5 and 6)								
Land protection	198,495	-	-	-	-	-	198,495	114,795
Stewardship	84,886	-	-	-	-	-	84,886	105,491
Communications and education	78,022	-	-	-	-	-	78,022	113,247
Fundraising	60,467	-	-	-	-	-	60,467	66,938
Art auction	31,770	-	-	-	-	-	31,770	40,666
Project management, dues, conference and training	<u>74,630</u>	-	-	-	-	-	<u>74,630</u>	<u>98,420</u>
	<u>528,270</u>	-	-	-	-	-	<u>528,270</u>	<u>539,557</u>
EXCESS OF REVENUES OVER EXPENDITURES FOR THE YEAR	174,523	4,039,145	182,166	5,000	81,541	-	4,482,375	2,495,939
NET ASSETS BEGINNING OF YEAR	97,534	26,191,262	1,341,127	112,115	149,139	300,000	28,191,177	25,695,238
INTERFUND TRANSFERS (Note 6)	<u>(106,150)</u>	<u>28,735</u>	-	<u>(3,500)</u>	<u>(69,085)</u>	<u>150,000</u>	-	-
NET ASSETS END OF YEAR	<u>165,907</u>	<u>30,259,142</u>	<u>1,523,293</u>	<u>113,615</u>	<u>161,595</u>	<u>450,000</u>	<u>32,673,552</u>	<u>28,191,177</u>

The accompanying notes are an integral part of these statements.

THE GEORGIAN BAY TRUST FOUNDATION INC.

SCHEDULE OF EXPENDITURES

	Year Ended December 31	
	<u>2016</u>	<u>2015</u>
	\$	\$
LAND PROTECTION		
Wages, benefits and contract staff	109,937	74,417
Office and general	35,068	14,297
Outreach	28,673	14,021
Travel and meeting	12,438	3,978
Professional fees	9,278	3,986
Insurance	2,268	2,138
Mortgage interest	502	819
Partnership programs	<u>331</u>	<u>1,139</u>
	<u>198,495</u>	<u>114,795</u>
STEWARDSHIP		
Wages, benefits and contract staff	64,490	77,778
Partnership programs	7,000	6,038
Travel and meeting	5,348	6,654
Outreach	5,164	7,491
Office and general	2,455	7,170
Events	<u>429</u>	<u>360</u>
	<u>84,886</u>	<u>105,491</u>
COMMUNICATIONS AND EDUCATION		
Wages, benefits and contract staff	46,727	77,331
Outreach	17,152	18,911
Events	9,066	6,120
Office and general	3,937	671
Travel and meeting	1,140	3,118
Other	<u>-</u>	<u>7,096</u>
	<u>78,022</u>	<u>113,247</u>
FUNDRAISING		
Wages, benefits and contract staff	52,001	28,715
Office and general	3,988	4,347
Event	3,105	16,823
Outreach	931	11,135
Partnership	250	-
Lottery	101	2,570
Travel and meeting costs	91	1,342
Professional fees	<u>-</u>	<u>2,006</u>
	<u>60,467</u>	<u>66,938</u>

The accompanying notes are an integral part of these statements.

THE GEORGIAN BAY TRUST FOUNDATION INC.**SCHEDULE OF EXPENDITURES**

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	Year Ended December 31	
	<u>2016</u>	<u>2015</u>
	\$	\$
ART AUCTION		
Event	25,730	21,680
Wages and benefits	5,150	5,368
Art pieces	<u>890</u>	<u>13,618</u>
	<u>31,770</u>	<u>40,666</u>
PROJECT MANAGEMENT, DUES, CONFERENCE AND TRAINING		
Rent	18,527	20,099
Investment management	14,293	12,218
Professional fees	14,188	20,408
Office and general	12,174	16,143
Wages, benefits and contract staff	9,040	23,406
Dues and subscriptions	2,545	2,585
Insurance	1,782	1,680
Amortization	807	782
Event	791	-
Travel and meeting	366	563
Outreach	117	380
Conference and training	<u>-</u>	<u>156</u>
	<u>74,630</u>	<u>98,420</u>

The accompanying notes are an integral part of these statements.

THE GEORGIAN BAY TRUST FOUNDATION INC.

STATEMENT OF CASH FLOWS

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	Year Ended December 31	
	<u>2016</u>	<u>2015</u>
	\$	\$
CASH FLOW FROM OPERATING ACTIVITIES		
Excess of revenues over expenditures for the year	4,482,375	2,495,939
Adjustments for non-cash items:		
Amortization	807	782
Donations property - Land	<u>(3,183,000)</u>	<u>(2,375,000)</u>
	1,300,182	121,721
Net changes in non-cash working capital items:		
Sundry receivables	26,606	(6,337)
HST rebate receivable	(53,863)	5,822
Prepays	1,367	(151)
Accounts payable and accrued liabilities	11,997	(6,261)
Deferred contributions	<u>(643,004)</u>	<u>699,695</u>
Cash Provided By Operating Activities	<u>643,285</u>	<u>814,489</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Stewardship and Endowment Funds	(182,166)	(24,325)
Wally and Marilyn King and Family Fund	(1,500)	5,000
Purchase of property and equipment	<u>(846,144)</u>	<u>(15,315)</u>
Cash Used In Investing Activities	<u>(1,029,810)</u>	<u>(34,640)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Mortgage payable	<u>(39,543)</u>	<u>(8,227)</u>
Cash Used In Financing Activities	<u>(39,543)</u>	<u>(8,227)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(426,068)	771,622
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,187,751</u>	<u>416,129</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>761,683</u></u>	<u><u>1,187,751</u></u>

The accompanying notes are an integral part of these statements.

Nature of Operations

The Georgian Bay Trust Foundation Inc. is a non-profit organization incorporated without share capital and is registered with the Canada Revenue Agency as a charity, within the meaning of the Income Tax Act. The principal activities of the organization include maintaining and managing significant and representative properties in Georgian Bay, educating the public toward conservation and preservation of the landscape, ecology and wildlife of the Georgian Bay area.

Note 1: Significant Accounting Policies

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The significant policies are detailed as follows:

Fund Accounting

The accounts of the organization are maintained in accordance with the principles of fund accounting by which resources for various purposes are classified for accounting and reporting purposes into funds relating to the specific activities and operations. These funds are as follows:

(a) **Operating Fund**

This fund accounts for the organization's program delivery and administrative activities. This fund reports unrestricted resources and restricted operating resources.

(b) **Invested in Property**

This fund reports the assets, liabilities, revenues and expenditures related to the organization's property and equipment.

(c) **Stewardship and Endowment Fund**

This fund reports only externally restricted resources that are to be used to help meet annual costs associated with the stewardship of properties and includes Endowment funds subject to external restrictions stipulating that the resources be maintained permanently.

THE GEORGIAN BAY TRUST FOUNDATION INC.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

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Note 1: Significant Accounting Policies - cont'd

Fund Accounting - cont'd

(d) King and Family Fund

This is an externally restricted fund established for the purpose of supporting and providing research, educational programs and opportunities which further advance that part of the organization's stated mission, "to promote the appreciation of this special area". It is the intention that only the income generated from this fund will be used to support the above, but in extraordinary circumstances, the capital may be encroached upon, subject to Board approval.

(e) Land Acquisition Fund

This fund consists of internally restricted resources that are to be used to acquire properties.

(f) Working Capital Fund

This fund is an internally restricted fund that was established to provide stability in cash flow and also to provide seed money for the new projects or initiatives. This fund is largely used to build on funds associated with large undesignated gifts such as planned gifts. Use of the funds requires a plan for repayment to ensure that the capital is not eroded.

Cash and Cash Equivalents

Cash equivalents include highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value. An investment normally qualifies as a cash equivalent when it has a short maturity of approximately three months or less from the date of acquisition.

Property and Equipment

Property and equipment are accounted for at cost or at appraised or assessed value if donated, and amortized over their useful life on a declining balance basis using the following rates:

Furniture and fixtures	20%
Computer hardware	30%

THE GEORGIAN BAY TRUST FOUNDATION INC.

NOTES TO THE FINANCIAL STATEMENTS
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Note 1: Significant Accounting Policies - cont'd

Contributed Services

The organization would not be able to carry out its activities without the services of the many volunteers who donate a considerable number of hours. Due to the difficulty of compiling these hours, contributed services are not recognized in the financial statements.

Revenue Recognition

The organization uses the restricted fund method of accounting. Contributions for which there is an appropriate restricted fund are recognized as revenue when received. Restricted contributions for which there is not an appropriate restricted fund are recognized in accordance with the deferral method whereby contributions related to expenditures of future periods are deferred and recognized as revenue in the general fund in the period in which the related expenditures are incurred. Unrestricted contributions are recognized as revenue of the general fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Contributions for endowment are recognized as revenue in the Endowment Fund.

Investment income earned on Stewardship Endowment Fund and Wally and Marilyn King and Family Fund resources are recognized as revenue of the Operating Fund when earned.

Financial Instruments

The organization initially measures its financial assets and liabilities at fair value.

The organization subsequently measures all its financial assets and liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in the Operating fund in the period incurred.

Financial assets measured at amortized cost include cash and cash equivalents, HST rebate receivable and sundry receivables.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities, loan payable and mortgage payable.

Financial assets measured at fair value are equity instruments held in the Stewardship and Endowment Fund and the Wally and Marilyn King Family Fund.

THE GEORGIAN BAY TRUST FOUNDATION INC.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

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Note 1: Significant Accounting Policies - cont'd

Financial Instruments - cont'd

Impairment

For financial assets measured at amortized cost, the organization determines whether there are indications of possible impairment. When there is an indication of impairment, and the organization 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 Operating Fund. 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 Operating Fund.

Allocation of Expenses

The organization maintains and manages significant properties in Georgian Bay. The related costs include various administrative expenses. The organization allocates these costs between its programs and activities by identifying the appropriate basis of allocating each component expenditure and applies that basis consistently each year.

Use of Estimates

The preparation of financial statements require management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the reported amounts of revenues and expenditures for the period covered.

The main estimates relate to the impairment of financial assets.

Note 2: Property And Equipment

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>December 31</u>	
	<u>\$</u>	<u>\$</u>	<u>2016</u>	<u>2015</u>
			<u>\$</u>	<u>\$</u>
Land	30,010,322	-	30,010,322	25,981,178
Land easement	<u>308,999</u>	<u>-</u>	<u>308,999</u>	<u>308,999</u>
	30,319,321	-	30,319,321	26,290,177
Furniture and fixtures	8,203	6,485	1,718	2,147
Computer hardware	<u>5,102</u>	<u>4,221</u>	<u>881</u>	<u>1,259</u>
	<u>30,332,626</u>	<u>10,706</u>	<u>30,321,920</u>	<u>26,293,583</u>

THE GEORGIAN BAY TRUST FOUNDATION INC.

NOTES TO THE FINANCIAL STATEMENTS
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Note 3: Externally Restricted Funds

Major categories of externally imposed restrictions on funds are as follows:

	December 31	
	<u>2016</u>	<u>2015</u>
	\$	\$
Restricted for stewardship purposes	1,428,293	1,246,127
Stewardship endowment	<u>95,000</u>	<u>95,000</u>
	1,523,293	1,341,127
Restricted for research and education	<u>113,615</u>	<u>112,115</u>
	<u><u>1,636,908</u></u>	<u><u>1,453,242</u></u>

These funds consist of the following:

	December 31	
	<u>2016</u>	<u>2015</u>
	\$	\$
Equity instruments	1,417,015	1,225,245
Guaranteed investment certificates	159,816	223,554
Cash and cash equivalents	<u>60,077</u>	<u>4,443</u>
	<u><u>1,636,908</u></u>	<u><u>1,453,242</u></u>

All Stewardship funds including endowments received have been designated as follows:

Lizard Stewardship Fund	\$ 18,611
Andy Griggs Memorial Fund	55,836
Alexander Stewardship Fund	98,393
Watson Stewardship Fund	132,849
Legacy Stewardship Fund	927,188
David & Beverly Stager Stewardship Fund	51,241
Stewardship Campaign	96,675
McKenzie Island Steamboat Channel Fund	<u>142,500</u>
	<u><u>\$ 1,523,293</u></u>

All research and education funds have been designated as follows:

Wally and Marilyn King and Family Fund	<u>\$ 113,615</u>
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THE GEORGIAN BAY TRUST FOUNDATION INC.

NOTES TO THE FINANCIAL STATEMENTS
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Note 4: Loan Payable

The loan payable is to a member of the Board of Directors. The loan is non interest bearing, unsecured and is due on January 31, 2018.

Note 5: Mortgage Payable

The mortgage payable bears interest at 1%, is payable in blended monthly payments of principal and interest of \$754 and due December 20, 2017. The mortgage payable is secured by the Little McCoy property which is included in property and equipment (Note 2) and has a net book value of \$1,200,000.

Note 6: Interfund Transfers

During the year, \$3,500 was transferred from the Wally and Marilyn King and Family Fund to the Operating Fund to fund bursaries; \$69,085 was transferred from the Land Acquisition Fund to the Invested in Property and Operating Funds to reimburse costs associated with land acquisitions; the Operating Fund transferred \$150,000 to the Working Capital Fund; and the Invested in Property Fund transferred \$40,350 to the Operating Fund related to costs associated with acquiring property and equipment. These transfers were approved by the Board of Directors.

Note 7: Financial Instruments

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

(a) Credit risk

Credit risk is the risk that one party to a financial transaction will cause a financial loss for the other party by failing to discharge an obligation. The organization's main credit risk relate to its sundry receivables and HST rebate receivable.

(b) Liquidity risk

Liquidity risk is the risk that the organization will encounter difficulty in meeting obligations associated with financial liabilities. The organization is exposed to this risk mainly in respect to its trade payables and long term debt. The organization expects to meet these obligations as they come due by generating sufficient cash flow from operations.

Note 7: Financial Instruments - cont'd

(c) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The organization is mainly exposed to interest rate risk and other price risk.

(i) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The organization is exposed to interest rate risk on its fixed interest rate financial instruments. Fixed rate instruments subject the organization to risk of changes in fair value. The exposure to this risk also fluctuates as the quantity of fixed rate instruments held changes from year to year.

(ii) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The organization is exposed to other price risk through its investments in marketable securities for which the value fluctuates with the quoted market price.