

Federation of Ontario Naturalists
(Operating as Ontario Nature)
Financial Statements
February 28, 2021

Federation of Ontario Naturalists
(Operating as Ontario Nature)
Contents

For the year ended February 28, 2021

	<i>Page</i>
Independent Auditor's Report	
Financial Statements	
Statement of Financial Position.....	1
Statement of Operations.....	2
Statement of Changes in Fund Balances.....	3
Statement of Cash Flows.....	4
Notes to the Financial Statements.....	5

To the Members of Federation of Ontario Naturalists:

Qualified Opinion

We have audited the financial statements of Federation of Ontario Naturalists (the "Federation"), which comprise the statement of financial position as at February 28, 2021, and the statements of operations, changes in fund balances 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 effects of the matter described in the Basis for Qualified Opinion paragraph, the accompanying financial statements present fairly, in all material respects, the financial position of the Federation as at February 28, 2021, 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.

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Federation 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 Federation and we were not able to determine whether any adjustments might be necessary to donations revenue, the excess of revenues over expenses, and cash flows from operations for the years ended February 28, 2021 and February 29, 2020, current assets as at February 28, 2021 and February 29, 2020, and fund balances as at February 28, 2021, February 29, 2020 and March 1, 2019.

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 Federation 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.

Other Matter

The financial statements of the Federation for the year ended February 29, 2020 were audited by another firm of licensed public accountants that expressed a modified opinion on those statements on November 9, 2020 for the reasons described in the Basis for Qualified Opinion paragraph.

Responsibilities of Management 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 Federation'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 Federation or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Federation'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 Federation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Federation 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.

Mississauga, Ontario

May 20, 2021

MNP LLP

Chartered Professional Accountants

Licensed Public Accountants

Federation of Ontario Naturalists
(Operating as Ontario Nature)
Statement of Financial Position

As at February 28, 2021

	2021	2020
Assets		
Current		
Cash	1,285,573	590,259
Accounts receivable (Note 9)	427,257	344,180
Investments (Note 3)	2,740,527	2,348,842
Prepaid expenses	88,766	75,832
	4,542,123	3,359,113
Easements (Note 4)	943,000	943,000
Capital assets (Note 5)	5,710,771	5,731,688
	11,195,894	10,033,801
Liabilities		
Current		
Accounts payable and accrued liabilities (Note 6)	110,189	115,226
Deferred revenue	12,489	11,911
Deferred grant contributions (Note 7)	1,398,570	860,078
	1,521,248	987,215
Commitments (Note 12)		
Fund Balances		
Invested in capital assets and easements	6,653,771	6,624,688
Operating	1,537,144	1,064,495
Restricted - Nature Trust/Nature Reserve	1,483,731	1,357,403
	9,674,646	9,046,586
	11,195,894	10,033,801

Approved on behalf of the Board

E-SIGNED by Lyle Clarke
 Director

E-SIGNED by Kurt Kroesen
 Director

The accompanying notes are an integral part of these financial statements

Federation of Ontario Naturalists
(Operating as Ontario Nature)
Statement of Operations

For the year ended February 28, 2021

	<i>Operating Fund</i>	<i>Nature Trust/Nature Reserve Fund</i>	<i>2021</i>	<i>2020</i>
Revenue				
Donations	1,096,592	-	1,096,592	949,290
Grants (Note 7)	755,108	-	755,108	1,564,525
Government assistance (Note 9)	632,389	-	632,389	-
Publication - "ON Nature"	183,307	-	183,307	192,185
Investment income	69,870	83,179	153,049	257,213
Bequests	123,138	-	123,138	656,933
Other income	40,230	-	40,230	40,372
	2,900,634	83,179	2,983,813	3,660,518
Expenses (Note 10)				
Conservation and education programs	1,442,551	89,467	1,532,018	1,642,684
Publication - "ON Nature"	224,742	-	224,742	269,809
Development	409,992	-	409,992	519,899
Public relations and communications	240,277	-	240,277	205,531
Administration	158,522	-	158,522	272,278
Rental properties and other	30,502	-	30,502	25,431
	2,506,586	89,467	2,596,053	2,935,632
Excess (deficiency) of revenue over expenses before other item	394,048	(6,288)	387,760	724,886
Gain (loss) on change in fair value of investments	107,684	132,616	240,300	(110,395)
Excess of revenue over expenses	501,732	126,328	628,060	614,491

The accompanying notes are an integral part of these financial statements

Federation of Ontario Naturalists
(Operating as Ontario Nature)
Statement of Changes in Fund Balances
For the year ended February 28, 2021

	<i>Invested in Capital Assets and Easements</i>	<i>Operating Fund</i>	<i>Nature Trust/Nature Reserve Fund</i>	2021	2020
Fund balances, beginning of year	6,624,688	1,064,495	1,357,403	9,046,586	8,432,095
Excess of revenue over expenses	-	501,732	126,328	628,060	614,491
Amortization expense	(23,853)	23,853	-	-	-
Acquisition of capital assets	2,936	(2,936)	-	-	-
Transfer	50,000	(50,000)	-	-	-
Fund balances, end of year	6,653,771	1,537,144	1,483,731	9,674,646	9,046,586

The accompanying notes are an integral part of these financial statements

Federation of Ontario Naturalists
(Operating as Ontario Nature)
Statement of Cash Flows
For the year ended February 28, 2021

	2021	2020
Cash provided by (used for) the following activities		
Operating		
Excess of revenue over expenses	628,060	614,491
Amortization of capital assets	23,852	20,224
Easements	-	(50,000)
Donated capital assets	-	(110,000)
Change in unrealized gain on investments	(240,293)	110,395
	411,619	585,110
Changes in non-cash operating items		
Accounts receivable	(83,077)	(162,040)
Prepaid expenses	(12,934)	12,720
Accounts payable and accrued liabilities	(5,036)	(29,675)
Deferred revenue and grant contributions	539,070	75,639
	849,642	481,754
Investing		
Purchase of capital assets	(2,936)	(540,985)
Purchase of investments	(151,392)	(299,684)
Sales of investments	-	763,998
	(154,328)	(76,671)
Increase in cash	695,314	405,083
Cash, beginning of year	590,259	185,176
Cash, end of year	1,285,573	590,259

The accompanying notes are an integral part of these financial statements

Federation of Ontario Naturalists
(Operating as Ontario Nature)
Notes to the Financial Statements
For the year ended February 28, 2021

1. Nature of the 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. Significant accounting policies

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations ("ASPNO") as issued by the Accounting Standards Board in Canada and include the following significant accounting policies:

Fund accounting

The Federation follows the restricted fund method of accounting for contributions, and maintains two funds: Operating Fund and Nature Trust/Nature Reserve Fund.

The Operating Fund reports the Federation's unrestricted resources and general operations.

As a component of operations, the amount invested in capital assets and easements is segregated. It reflects the Federation's net investment in capital assets (net book value less any related capital grants and financing) and easements.

The Nature Trust/Nature Reserve Fund reflects the restricted income and expenses relating to the nature reserves maintained by the Federation.

Revenue recognition

The Federation uses the restricted fund method of accounting for contributions. Restricted contributions related to funds presented are recognized as revenue of the fund in the year in which the related expenses are incurred. All other restricted contributions are recognized as revenue of the Operating Fund using the deferral method. That is, the restricted contribution is recognized as revenue as the qualifying expenses that fulfill the restriction are incurred. Contributions restricted for the purchase of capital assets are deferred and amortized to revenue on the same basis as the asset amortizes to expense.

Unrestricted contributions are recognized as revenue of the Operating Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Unrestricted investment income is recognized as revenue in the Operating Fund when earned.

Publication subscriptions are recognized as revenue of the Operating Fund over the term of the subscription as the publication is issued.

Government assistance is recognized as revenue when received or receivable and the expenses for which it is intended are incurred.

Financial instruments

The Federation recognizes its financial instruments when the Federation becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value.

The Federation subsequently measures investments, consisting of securities at fair value. Fair value is determined by published price quotations. All other financial assets and liabilities are subsequently measured at amortized cost.

Financial assets measured at amortized cost include cash, accounts receivable, government assistance receivable and investments.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities and government remittances payable.

Federation of Ontario Naturalists
(Operating as Ontario Nature)
Notes to the Financial Statements
For the year ended February 28, 2021

2. Significant accounting policies (continued from previous page)

Capital assets

Capital assets are recorded at cost, or fair market value in case of donated property if fair value can be reasonably determined. Leasehold improvements are amortized over the lease term. Buildings, equipment and fixtures and computer equipment are amortized using the straight-line method at rates intended to amortize the cost of the assets over their estimated useful lives.

	Method	Rate
Buildings	straight-line	20 years
Computer equipment	straight-line	3 years
Equipment	straight-line	5 years

Easements

Easements are stated at cost.

Deferred lease inducements

Deferred lease inducements, consisting of a period of free rent and a non-repayable leasehold improvement allowance, are amortized on a straight-line basis over the term of the lease.

Contributed materials and services

Contributions of materials and services are recognized both as contributions and expenses in the statement of operations when a fair value can be reasonably estimated and when the materials are used in the normal course of the Federation's operations and would otherwise have been purchased.

The Federation receives the services of volunteers. The value of this contribution is not recognized in the financial statements as the fair value cannot be reasonably estimated.

Allocation of expenses

The Federation allocates its general support costs, including salaries and benefits, rent and other, to program expenses based on the estimated use of time and resources by the program. Allocations are reviewed regularly by management.

Measurement uncertainty (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 date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization is based on the estimated useful lives of capital assets. Salaries and benefits, rent and other general costs are allocated to programs based on estimated use of time and resources.

By their nature, these judgments are subject to measurement uncertainty, and the effect on the financial statements of changes in such estimates and assumptions in future years could be material. These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in excess of revenues over expenses in the years in which they become known.

3. Investments

	2021	2020
Fixed income fund	1,053,767	923,351
Foreign equities fund	1,187,900	1,011,361
Canadian equities fund	498,860	414,130
	2,740,527	2,348,842

Federation of Ontario Naturalists
(Operating as Ontario Nature)
Notes to the Financial Statements
For the year ended February 28, 2021

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:

	<i>2021</i>	<i>2020</i>
Almack - Pickering, Ontario	293,000	293,000
Connell - Brockton, Ontario	600,000	600,000
Farber - Lansdowne, Ontario	50,000	50,000
	943,000	943,000

5. Capital assets

	<i>Cost</i>	<i>Accumulated amortization</i>	<i>2021 Net book value</i>	<i>2020 Net book value</i>
Land	5,629,799	-	5,629,799	5,629,799
Buildings	286,939	211,138	75,801	90,147
Computer equipment	33,190	28,844	4,346	10,296
Equipment	6,777	5,952	825	1,446
	5,956,705	245,934	5,710,771	5,731,688

Buildings consist of a house and a barn in King Township.

6. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities includes amounts due to governments of \$36,103 (2020 - \$33,532).

7. Deferred grant contributions

The grant contributions reported in the operating fund consists of grants received in the current period that is provided to fund expenditures relating to delivery of core programs. Recognition of these amounts as revenue is deferred to periods when the specified expenditures are made. Changes in the grant contributions are as follows:

	<i>2021</i>	<i>2020</i>
Balance, beginning of year	860,078	785,380
Amount received during the year	1,293,600	1,639,223
Less: Amount recognized as revenue during the year	(755,108)	(1,564,525)
Balance, end of year	1,398,570	860,078

Federation of Ontario Naturalists
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Notes to the Financial Statements
For the year ended February 28, 2021

8. Credit Facility

The Federation has a line of credit of \$75,000 secured by a general security agreement. As at February 28, 2021, \$nil (2020 - \$nil) had been drawn on the facility.

9. Government assistance

The Association received government assistance under the temporary Canada Emergency Wage Subsidy (CEWS) of \$603,650 and Canada Emergency Rent Subsidy (CERS) of \$28,739. These are temporary programs launched by the government in response to the pandemic to help organizations weather its effects on revenue and operations, see Note 14.

Included in accounts receivable at year end is \$334,566 (2020 - \$Nil) of government assistance receivable.

10. Allocation of general support costs

The Federation has allocate its general support costs as follows:

	<i>Salaries and benefits</i>	<i>Rent and other</i>	<i>2021</i>	<i>2020</i>
Conservation and education programs	199,999	156,473	356,472	303,825
Publication - "ON Nature"	15,941	15,209	31,150	31,483
Development	29,896	40,066	69,962	85,112
Public relations and communications	36,132	31,902	68,034	62,043
Administration costs	65,826	18,958	84,784	153,000
	347,794	262,608	610,402	635,463

11. 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.

12. Commitments

The Federation is committed to the following annual lease payments for office space and office equipment as follows:

2022	153,148
2023	10,481
2024	3,697
	167,326

13. Financial Instruments

The Federation, as part of its operations, carries a number of financial instruments. It is management's opinion that the Federation is not exposed to significant interest, currency, credit, liquidity or other price risks arising from these financial instruments except as otherwise disclosed.

Interest rate risk

The Federation is exposed to interest rate risk with respect to its investments. Changes in the prime interest rate will have a positive or negative impact on the Federation's investment income. Such exposure will increase accordingly should the Federation 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 Federation'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 fair value or future cash flows of a financial instrument will fluctuate because of the changes in foreign exchange rates. The Federation invests in foreign equities and is therefore directly exposed to currency risk as the value of equities denominated in other currencies will fluctuate due to changes in exchange rates.

14. Environmental risk

In March 2020, there was a global outbreak of COVID-19 which has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Federation as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus.