Financial Statements of

GRAND RIVER CONSERVATION FOUNDATION

Year ended December 31, 2011

INDEPENDENT AUDITORS' REPORT

To the Board of Directors

We have audited the accompanying financial statements of The Grand River Conservation Foundation which comprise the statement of financial position as at December 31, 2011, the statements of operations and changes in fund balances and cash flows for the year then ended, and notes, comprising 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.

Auditors' 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 our 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, we consider internal control relevant to the Foundation'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 Foundation’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 audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of The Grand River Conservation Foundation as at December 31, 2011, and the results of its operations, fund balances and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants, Licensed Public Accountants

June 21, 2012
Waterloo, Canada

GRAND RIVER CONSERVATION FOUNDATION

Statement of Financial Position

December 31, 2011, with comparative figures for 2010

	2011	2010
Assets		
Current assets:		
Cash and cash equivalents	$ 569,619	$ 1,211,907
Investments (note 2)	1,571,929	867,974
Accounts receivable	150,996	5,942
Interest receivable	9,384	1,936
Prepaid expenses	756	3,024
	$ 2,302,684	$ 2,090,783
Liabilities and Fund Balances		
Current liabilities:		
Accounts payable and accrued liabilities	$ 339,197	$ 215,964
Fund balances:		
Restricted:		
Recreation funds	85,544	67,556
Restoration funds	170,219	258,802
Environmental education funds	210,804	183,923
Scholarship funds	40,184	42,705
Land acquisition and stewardship funds	493	74
Undesignated funds	99,855	69,097
Partner funds	1,032,913	940,783
Endowed funds	323,475	311,879
	1,963,487	1,874,819
	$ 2,302,684	$ 2,090,783

See accompanying notes to financial statements.

On behalf of the Board:

Chair

Secretary-Treasurer

GRAND RIVER CONSERVATION FOUNDATION

Statement of Operations and Changes in Fund Balances

Year ended December 31, 2011, with comparative figures for 2010

	General fund	Recreation funds	Restoration funds	Environmental education funds	Scholarship funds	Land acquisition and stewardship funds	Undesignated funds	Partner funds	Endowed funds	Total 2011	Total 2010
	$	$	$	$	$	$	$	$	$	$	$
Revenue:											
Donations	-	92,366	131,878	144,704	1,500	490	92,266	199,381	50,810	713,395	638,604
Grants	-	-	-	-	-	-	-	-	-	-	1,000
Book sales	-	1,556	-	-	-	-	5,300	4,189	-	11,045	2,938
Merchandising	-	-	-	-	-	-	-	-	-	-	400
Life insurance	440	-	-	-	-	-	-	-	-	440	264
Sponsorships	-	-	-	-	-	-	-	16,661	-	16,661	24,622
Investment income	7,718	267	373	-	479	-	-	10,103	3,906	22,846	56,673
Other income	-	-	-	-	-	-	-	-	-	-	13,872
Total revenue	8,158	94,189	132,251	144,704	1,979	490	97,566	230,334	54,716	764,387	738,373
Expenditures:											
Campaign expenses:											
Staff support (campaign)	61,403	-	-	-	-	-	-	-	-	61,403	-
Consulting	6,812	-	-	-	-	-	-	-	-	6,812	7,903
Campaign expenses	3,859	-	-	-	-	-	-	-	-	3,859	-
Other:											
Book purchases	-	950	-	-	-	-	3,465	2,126	-	6,541	1,109
Staff support (non-campaign)	9,351	-	-	-	-	-	-	-	-	9,351	32,896
Fundraising expenses	3,614	-	-	-	-	-	-	-	-	3,614	2,595
Life insurance	-	-	-	-	-	-	-	-	-	-	264
General expenses	18,030	-	-	-	-	-	-	-	-	18,030	17,350
Disbursements to Foundation projects	-	63,964	202,255	57,525	4,500	-	49,000	145,745	43,120	566,109	716,875
Total expenditures	103,069	64,914	202,255	57,525	4,500		52,465	147,871	43,120	675,719	778,992
Net revenue and fund balances:											
Excess (deficiency) of revenue over expenses	(94,911)	29,275	(70,004)	87,179	(2,521)	490	45,101	82,463	11,596	88,668	(40,619)
Fund balances, beginning of year	-	67,556	258,802	183,923	42,705	74	69,097	940,783	311,879	1,874,819	1,915,438
Interfund transfers	94,911	(11,287)	(18,579)	(60,298)	-	(71)	(14,343)	9,667	-	-	-
Fund balances, end of year	-	85,544	170,219	210,804	40,184	493	99,855	1,032,913	323,475	1,963,487	1,874,819

See accompanying notes to financial statements.

GRAND RIVER CONSERVATION FOUNDATION

Statement of Cash Flows

December 31, 2011, with comparative figures for 2010

	2011	2010
Excess (deficiency) of revenue over expenses	$ 88,668	$ (40,619)
Operations:		
Change in non-cash operating working capital:		
Accounts receivable	(145,054)	665
Interest receivable	(7,448)	(884)
Prepaid expenses	2,268	2,268
Accounts payable and accrued liabilities	123,233	124,681
	61,667	86,111
Financing:		
Net purchase of investments	(703,955)	(66,526)
Increase (decrease) in cash and cash equivalents	(642,288)	19,585
Cash and cash equivalents, beginning of year	1,211,907	1,192,322
Cash and cash equivalents, end of year	$ 569,619	$ 1,211,907

See accompanying notes to financial statements.

GRAND RIVER CONSERVATION FOUNDATION

Notes to Financial Statements

Year ended December 31, 2011

The Grand River Conservation Foundation (the "Foundation") is incorporated without share capital and is registered as a charitable organization under the Income Tax Act (Canada). The purpose of the Foundation is to raise money for the purpose of funding projects, related to the conservation of natural and historic resources within the watershed of the Grand River; specifically, projects that are approved by, but beyond the scope of, the statutory resources of the Grand River Conservation Authority.

1. Significant accounting policies:

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The significant policies are described below:

(a) Fund accounting:

In order to ensure observance of the limitations and restrictions on the use of resources available to the Foundation, the accounts of the Foundation are maintained in accordance with the principles of fund accounting. These funds are held in accordance with the objectives specified by the donors, or in accordance with directives issued by the Board of Directors.

For financial reporting purposes, the accounts have been classified in the following funds:

(i) Restricted funds include amounts that are restricted in accordance with the objectives as specified by the donors and the Board of Directors. These funds are considered to be restricted as they can only be used for specified purposes.

(ii) Endowed funds are resources that are required to be maintained by the Foundation on a permanent basis. Revenue of the endowed fund is limited to amounts that have been restricted for endowment purposes by the external contributor.

Investment income earned is generally allocated to funds other than the endowed funds, at the discretion of the Board of Directors.

(b) Revenue recognition:

Endowed funds contributions are recognized as revenue in the endowed fund. Other donor-restricted contributions are recognized as revenue of the restricted fund. All contributions are recognized in revenue when received.

Pledges to donate funds to the Foundation are not recorded in the accounts until such time as funds are received.

(c) Cash and cash equivalents:

Cash and cash equivalents consist of balances held with banks.

Donated materials contributed to the Foundation are recorded at fair value when provided.

1. Significant accounting policies (continued):

(d) Investments:

Investments are recorded at fair value. Investment income includes interest, dividends, distribution from pooled funds, realized gains (losses) and the net change in unrealized gains (losses) for the year. Investment income earned is allocated to endowment funds on a pro-rata basis. Other investment income is generally allocated to other funds at the discretion of the Board of Directors.

(e) Financial instruments:

The Foundation has classified its financial instruments as follows:

- Accounts receivable are classified as loans and receivables.
- Cash, cash equivalents and investments are classified as held-for-trading.
- Accounts payable and accrued liabilities are classified as other liabilities.

All financial instruments are initially recorded on the statement of financial position at fair value. They are subsequently recorded at fair value or amortized cost depending on the classification selected for the financial instrument. Financial assets are classified as either "held-for-trading", "held-to-maturity", "available-for-sale" or "loans and receivables" and financial liabilities are classified as either "held-for-trading" or "other liabilities". Financial assets and liabilities classified as held-for-trading are measured at fair value with change in fair value recorded in the statement of operations. Financial assets classified as held-to-maturity or loans and receivables and financial liability classified as other liabilities are subsequently measured at amortized cost using the effective interest method. Available-for-sale financial assets that have a quoted price in an active market are measured at fair value with change in fair value recorded in fund balances. Such gains or losses are reclassified to the statement of operations when the related financial asset is disposed of or when the decline in value is considered to be other-than-temporary.

2. Investments:

Investments consist of:

	2011	2010
Fixed income	$ 375,112	$ 486,429
Equities	446,817	381,545
Guaranteed investment certificate	750,000	-
	$ 1,571,929	$ 867,974

3. Life insurance policies:

The Foundation was given life insurance policies with a face value of approximately $190,000 (2010 - $140,000), under which it is the owner and beneficiary and annual donations are received to cover the premiums. As the realizable amount under the policies is not certain, the Foundation will record the benefits when the proceeds are received.

4. Related entity:

Grand River Conservation Authority:

The Foundation raises funds to finance operations and capital expenditures, as directed by the Foundation's donors and the Board of Directors, for the Grand River Conservation Authority (the "Authority"), which is an independent organization. Although the Authority is a separate entity and disburses funds at the discretion of its own Board of Directors, the Chair of the Authority is a permanent member of the Foundation Board. The accounts of the Grand River Conservation Authority are not included in these financial statements.

During 2011, the Foundation contributed $401,285 (2010 - $631,664) to fund projects carried out by the Authority. At December 31, 2011, the net amount due from the Foundation to the Authority is $150,699 (2010 - $209,713), which is included in accounts payable and accrued liabilities.

5. Community Foundations Funds:

The Foundation has entered into agreements to establish Grand River Conservation Fund (GRC Funds) with The Kitchener and Waterloo Community Foundation (KWCF) and Cambridge & North Dumfries Foundation (CNDF). KWCF and CNDF are charitable organizations that can hold and manage funds for other charities and help make connections between needs and funders. Both transfers are considered revocable gifts where ownership of the funds is with the Community Foundations in the interim. During the year the Foundation transferred $10,000 to the CNDF and $25,000 to the KWCF.

The estimated market value of the GRC Funds as at December 31, 2011 is $34,448.

6. Future accounting standards:

The Accounting Standards Board has recently approved generally accepted accounting principles (GAAP) for Not-for-Profit Organizations. Not-for-Profit Organizations have the choice of adopting either International Financial Reporting Standards (IFRS) or GAAP for Not-for-Profit Organizations for year ends beginning on or after January 1, 2012. The Foundation has made the decision to adopt GAAP for Not-for-Profit Organizations for the year beginning on January 1, 2012 and is evaluating the impact of these standards.