Financial Statements of

GRAND RIVER CONSERVATION FOUNDATION

And Independent Auditors' Report thereon

Year ended December 31, 2019

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of The Grand River Conservation Foundation

Opinion

We have audited the financial statements of The Grand River Conservation Foundation (the Foundation), which comprise:

- the statement of financial position as at December 31, 2019
- the statement of operations and changes in fund balances for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as at December 31, 2019, and its results of operations and its cash flows year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the ***"Auditors' Responsibilities for the Audit of the Financial Statements"*** section of our auditors' report.

We are independent of the Foundation 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 opinion.

Responsibilities of Management and Those Charged With Governance 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.

In preparing the financial statements, management is responsible for assessing the Foundation'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 Foundation or to cease operations, or has no realistic alternative but to do so.

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

Auditors' 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 auditors' 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 the 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.

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

- 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 Foundation'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 Foundation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Foundation's 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
- 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Waterloo, Canada

June 24, 2020

GRAND RIVER CONSERVATION FOUNDATION

Statement of Financial Position

December 31, 2019, with comparative information for 2018

	2019	2018
Assets		
Current assets:		
Cash	$ 1,180,933	$ 1,430,894
Investments (note 2)	1,911,369	1,767,486
Accounts receivable (note 3)	8,657	15,881
Interest receivable	17,708	18,264
	$ 3,118,667	$ 3,232,525
Liabilities and Fund Balances		
Current liabilities:		
Accounts payable and accrued liabilities	$ 176,924	$ 121,681
Fund balances:		
Restricted:		
Recreation funds	483,444	421,737
Restoration funds	139,249	147,765
Environmental education funds	1,444,975	1,195,165
Scholarship funds	29,278	30,656
Land acquisition and stewardship funds	491	491
Community volunteer funds	30,536	41,630
Undesignated funds	67,684	300,576
Parkhill Dam funds	166,830	124,487
Partner funds	201,904	488,185
Endowed funds	377,352	360,152
	2,941,743	3,110,844
Subsequent event (note 10)		
	$ 3,118,667	$ 3,232,525

See accompanying notes to financial statements.

On behalf of the Board:

________________ Chair

K Armstrong Secretary-Treasurer

GRAND RIVER CONSERVATION FOUNDATION

Statement of Operations and Changes in Fund Balances

Year ended December 31, 2019, with comparative information for 2018

	General funds	Recreation funds	Restoration funds	Environmental education funds	Scholarship funds	Land acquisition and stewardship funds	Community volunteer funds	Undesignated funds	Parkhill Dam funds	Partner funds	Endowed funds	Total 2019	Total 2018
	$	$	$	$	$	$	$	$	$	$	$	$	$
Revenue:													
Receipted gifts	615	75,873	28,935	121,763	4,000	–	9,250	41,513	-	41,468	1,000	324,417	457,452
Other gifts	–	7,853	35,995	228,867	–	–	39,031	20,362	–	60,811	–	392,919	357,281
Special events	–	–	–	–	–	–	–	–	–	–	–	–	49,145
Investment income	118,764	(24,419)	(2,031)	–	1,622	–	–	48,317	–	–	19,241	161,494	8,134
Other income (repayment)	–	–	–	–	–	–	–	–	(1,433)	–	1,885	452	(18,150)
Total revenue	119,379	59,307	62,899	350,630	5,622	–	48,281	110,192	(1,433)	102,279	22,126	879,282	853,862
Expenditures:													
Special events	–	–	–	–	–	–	–	–	–	–	–	–	15,982
Staff support	91,332	–	–	–	–	–	–	–	–	–	–	91,332	60,794
Fundraising expenses	3,888	–	–	–	–	–	–	–	–	–	–	3,888	5,113
Life insurance	615	–	–	–	–	–	–	–	–	–	–	615	615
General expenses	23,544	–	–	–	–	–	–	–	–	–	–	23,544	20,913
Disbursements to Foundation projects	–	36,407	75,216	250,820	7,000	–	59,375	108,218	(1,518)	388,560	4,926	929,004	507,007
Total expenditures	119,379	36,407	75,216	250,820	7,000	–	59,375	108,218	(1,518)	388,560	4,926	1,048,383	610,424
Excess (deficiency) of revenue over expenses	–	22,900	(12,317)	99,810	(1,378)	–	(11,094)	1,974	85	(286,281)	17,200	(169,101)	243,438
Fund balances, beginning of year	–	421,737	147,765	1,195,165	30,656	491	41,630	300,576	124,487	488,185	360,152	3,110,844	2,867,406
Interfund transfers (note 4)	–	38,807	3,801	150,000	–	–	–	(234,866)	42,258	–	–	–	–
Fund balances, end of year	–	483,444	139,249	1,444,975	29,278	491	30,536	67,684	166,830	201,904	377,352	2,941,743	3,110,844

See accompanying notes to financial statements.

GRAND RIVER CONSERVATION FOUNDATION

Statement of Cash Flows

Year ended December 31, 2019, with comparative information for 2018

	2019	2018
Cash provided by (used in):		
Operating activities:		
Excess (deficiency) of revenue over expenses	$ (169,101)	$ 243,438
Item not involving cash:		
Change in fair value of investments	(103,150)	107,585
Change in non-cash operating working capital:		
Accounts receivable	7,224	(3,545)
Interest receivable	556	(7,624)
Accounts payable and accrued liabilities	55,243	(89,160)
	(209,228)	250,694
Financing activities:		
Net sale (purchase) of investments	(40,733)	42,838
Increase (decrease) in cash	(249,961)	293,532
Cash, beginning of year	1,430,894	1,137,362
Cash, end of year	$ 1,180,933	$ 1,430,894

See accompanying notes to financial statements.

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 Chartered Professional Accountants of Canada Handbook - Part III Canadian accounting standards for not-for-profit organizations. 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 fund 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.

1. Significant accounting policies (continued):

(c) Donated materials:

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

(d) Investments:

Investment income includes interest, dividends, distribution from pooled funds and change in fair value 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:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and 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. The Foundation has elected to carry fixed income investments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the effective interest rate method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Foundation determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Foundation expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

1. Significant accounting policies (continued):

(f) New accounting standards:

In March 2018, the Accounting Standards Board issued *"Basis for Conclusions - Accounting Standards Improvements for Not-for-Profit Organizations"* resulting in the introduction of three new handbook sections in the accounting standards for not-for-profit organizations - Part III of the Handbook as follows:

i) *Section 4433, Tangible capital assets held by not-for-profit organizations*, which directs organizations to apply the accounting guidance of *Section 3061, Property Plant and Equipment* in Part II of the Handbook. In so doing, the new section requires that organizations annually assess for partial impairment of tangible capital assets, to be recorded where applicable, as a non-reversible impairment expense. In addition, where practical, to componentize capital assets when estimates can be made of the useful lives of the separate components.

ii) *Section 4434, Intangible assets held by not-for-profit organizations*, which directs organizations to annually assess intangible assets, and where applicable to record an impairment expenses should the net carrying value be higher than the asset's fair value or replacement cost.

iii) *Section 4441, Collections held by not-for-profit organizations*, which defines a collection and directs organizations to record such assets on the statement of financial position at either cost or nominal value. It is anticipated that all collections will be accounted for using the same method, with the exception of organizations that opt to account for collections at cost, whereby the cost for certain collections either held or contributed cannot be determined. Such items are to be accounted for at a nominal value. In addition, collections are written down when there is evidence that the net carrying amount exceeds fair value.

The amendments are effective for financial statements for fiscal years beginning on or after January 1, 2019. The implementation of these changes had no impact on the financial statements.

2. Investments:

Investments consist of:

	2019	2018
Fixed income, measured at fair value	$ 251,150	$ 221,207
Equities, measured at fair value	599,419	506,279
Guaranteed investment certificate, measured at amortized cost	1,060,800	1,040,000
	$ 1,911,369	$ 1,767,486

3. Accounts receivable:

No allowance for impairment of accounts receivable has been recorded at December 31, 2019 (2018 - $nil).

4. Interfund transfers:

The interfund transfers represent the allocation of investment income and expenses to specific funds. Investment income is allocated based on the average monthly balances of the funds. The net expenses are allocated based on ending fund balances after the investment income allocation. The Board of Directors approved a transfer of $21,867 of the investment income to Grand Champions Fund.

5. Life insurance policies:

The Foundation was given life insurance policies with a face value of approximately $60,193 (2018 - $60,370), 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.

6. Related entity:

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.

6. Related entity (continued):

During 2019, the Foundation contributed $557,000 (2018 - $421,412) to fund projects carried out by the Authority. At December 31, 2019, the net amount due from the Foundation to the Authority is $151,992 (2018 - $96,551), which is included in accounts payable and accrued liabilities.

7. Community Foundations funds:

In 2011, the Foundation made a decision to establish the Grand River Conservation Funds ("GRC Funds") with various Community Foundations in the Grand River Watershed. Community Foundations are charitable organizations that can hold and manage funds for other charities and can help make connections between needs and donors. The Foundation has an agreement with the four Community Foundations to manage the GRC Funds. Some funds are revocable, where ownership of the funds is with the Community Foundation on an interim basis. Donors can also contribute to the GRC Funds by making charitable donations directly to the Community Foundations. Grants can be made back to the Foundation from the GRC Funds, out of investment income earned or flow-through donations.

The details of the funds are as follows:

		2019		2018
Funds held by the Community Foundations at fair value	$	65,690	$	60,503
Grants received from the Community Foundations during the year		1,885		1,850

8. Financial risks:

The Foundation manages its investment portfolio to earn investment income and invests according to a Statement of Investment Policy approved by The Board. The Foundation is not involved in any hedging relationships through its operations and does not hold or use any derivative financial instruments for trading purposes.

The Foundation believes that it is not exposed to significant market, credit or cash flow risk arising from its financial instruments.

Additionally, the Foundation believes it is not exposed to significant liquidity risk as all investments are held in instruments that are highly liquid and can be disposed of to settle commitments. The fixed income securities yield interest between 2.27% and 6.17% and have maturities ranging from January 2020 to May 2021.

Investments that trade in foreign markets are exposed to currency risk as the price in local terms on the foreign stock exchange is converted to Canadian dollars to determine fair value. The Foundation's overall foreign currency positions are not significant.

9. Comparative Information:

Certain comparative figures have been reclassified from those previously presented to conform to the presentation of the December 31, 2019 financial statements.

10. Subsequent event:

Subsequent to December 31, 2019, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial, market and social dislocating impact.

At the time of approval of these financial statements, the Foundation has experienced the following indicators of financial implications and undertaken the following activities in relation to the COVID-19 pandemic:

- Experienced temporary declines in the fair value of investments and investment income; and
- Mandatory working from home requirements for those able to do so

At this time, these factors present uncertainty over future cash flows, may cause significant changes to the assets or liabilities and may have a significant impact on future operations. An estimate of the financial effect is not practicable at this time.