

THAMES TALBOT LAND TRUST

Financial Statements

Year ended December 31, 2018



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Thames Talbot Land Trust

Qualified Opinion

We have audited the financial statements of Thames Talbot Land Trust ("the Trust"), which comprise the Statement of Financial Position as at December 31, 2018, and the Statements of Operations, Changes in Net Assets 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 possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Trust as at December 31, 2018 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 charitable organizations, the Trust 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 Trust. Therefore, we were not able to determine whether any adjustments might be necessary to donation and fundraising revenues, excess (deficiency) of revenue over expenses, and cash flows from operations for the year ended December 31, 2018, current assets and net assets for the year then ended. Our audit opinion on the financial statements was modified accordingly because of the possible effects of this limitation in scope.

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 Trust 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.

Responsibilities of Management and Those Charged with Governance 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 Trust'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 Trust or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Trust'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.



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Bringing Solutions Together

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 Trust'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 Trust'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 Trust'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 Trust 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 achieve 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.

London, Ontario
April 24, 2019

Ford Keast LP

**Chartered Professional Accountants
Licensed Public Accountants**

THAMES TALBOT LAND TRUST

Statement of Financial Position
As at December 31, 2018

	Operating Fund	Endowment Fund	Stewardship Fund	Conservation Lands Fund	Opportunities Fund	Total 2018	Total 2017
ASSETS							
CURRENT							
Cash	\$ 31,214	\$ -	\$ 1,303	\$ -	\$ 540,161	\$ 572,678	\$ 177,676
Investments (Note 3)	-	-	149,586	-	86,136	235,722	908,001
Accounts receivable	-	-	-	10,125	-	10,125	4,524
Government remittances recoverable	6,927	-	-	-	-	6,927	4,581
	38,141	-	150,889	-	626,297	825,452	1,094,782
CAPITAL ASSETS (Note 4)	-	-	3,898	-	-	3,898	5,569
LAND	-	-	-	3,656,461	-	3,656,461	3,486,811
LONG-TERM INVESTMENTS (Note 3)	-	758,733	-	-	-	758,733	772,381
	\$ 38,141	\$ 758,733	\$ 154,787	\$ 3,666,586	\$ 626,297	\$ 5,244,544	\$ 5,359,543
LIABILITIES							
CURRENT							
Accounts payable and accrued liabilities	\$ 31,388	\$ -	\$ 3,485	\$ -	\$ 2,012	\$ 36,885	\$ 11,915
Government remittances payable	4,048	-	-	-	-	4,048	6,728
Deferred contributions (Note 6)	-	-	84,247	-	-	84,247	182,383
	35,436	-	87,732	-	2,012	125,180	201,026
NET ASSETS	2,705	758,733	67,055	3,666,586	624,285	5,119,364	5,158,517
	\$ 38,141	\$ 758,733	\$ 154,787	\$ 3,666,586	\$ 626,297	\$ 5,244,544	\$ 5,359,543

APPROVED BY THE DIRECTORS:

Director

Director

THAMES TALBOT LAND TRUSTStatement of Changes in Net Assets
Year ended December 31, 2018

	Operating Fund	Endowment Fund	Stewardship Fund	Conservation Lands Fund	Opportunities Fund	Total 2018	Total 2017
NET ASSETS, Beginning of YEAR	\$ 24,404	\$ 772,381	\$ 148,750	\$ 3,486,811	\$ 726,171	\$ 5,158,517	\$ 4,851,116
Excess (deficiency) of revenues over expenditures	(32,408)	(25,948)	(39,171)	67,500	(9,126)	(39,153)	307,401
	(8,004)	746,433	109,579	3,554,311	717,045	5,119,364	5,158,517
Net interfund transfers (Note 5)	10,709	12,300	(42,524)	112,275	(92,760)	-	-
NET ASSETS, End of YEAR	\$ 2,705	\$ 758,733	\$ 67,055	\$ 3,666,586	\$ 624,285	\$ 5,119,364	\$ 5,158,517

THAMES TALBOT LAND TRUST

Statement of Operations

Year ended December 31, 2018

	Operating Fund	Endowment Fund	Stewardship Fund	Conservation Lands Fund	Opportunities Fund	Total 2018	Total 2017
REVENUE							
Grants	\$ 48,312	\$ -	\$ 169,642	\$ 67,500	\$ 15,663	\$ 301,117	\$ 333,519
Donations	67,803	-	17,664	-	37,800	123,267	123,362
Fundraising	18,788	-	-	-	-	18,788	37,911
Membership fees	9,269	-	-	-	-	9,269	9,612
Agricultural rental	9,048	-	-	-	-	9,048	9,795
Investment	30	(14,187)	(6,642)	-	2,685	(18,114)	101,531
Donated land	-	-	-	-	-	-	145,000
	<u>153,250</u>	<u>(14,187)</u>	<u>180,664</u>	<u>67,500</u>	<u>56,148</u>	<u>443,375</u>	<u>760,730</u>
EXPENSES							
Salaries and wages	101,747	-	128,630	-	46,614	276,991	276,442
Property stewardship	-	-	78,501	-	-	78,501	44,405
Administrative and office	27,468	-	-	-	-	27,468	33,286
Professional fees	22,607	-	-	-	-	22,607	17,683
Investment management fees	-	11,761	5,531	-	-	17,292	15,111
Property acquisition	-	-	-	-	15,453	15,453	10,579
Office rent	10,283	-	-	-	-	10,283	5,977
Consulting fees	7,193	-	-	-	-	7,193	18,626
Automotive	-	-	7,173	-	-	7,173	9,582
Marketing and promotion	6,386	-	-	-	-	6,386	12,283
Insurance	3,956	-	-	-	-	3,956	2,026
Bank charges and interest	3,360	-	-	-	-	3,360	2,844
Hawk cliff campaign	-	-	-	-	3,207	3,207	1,737
Membership fees	2,658	-	-	-	-	2,658	2,748
	<u>185,658</u>	<u>11,761</u>	<u>219,835</u>	<u>-</u>	<u>65,274</u>	<u>482,528</u>	<u>453,329</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (32,408)	\$ (25,948)	\$ (39,171)	\$ 67,500	\$ (9,126)	\$ (39,153)	\$ 307,401

THAMES TALBOT LAND TRUST

Statement of Cash Flows
Year ended December 31, 2018

	2018	2017
Cash provided by (used in):		
OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenditures	\$ (39,153)	\$ 307,401
Add (deduct) non-cash items:		
Amortization	1,671	2,386
Donation of land	-	(145,000)
Change in non-cash working capital items related to operations:		
Government remittances recoverable	(5,025)	14,291
Accounts payable and accrued liabilities	24,970	(54,000)
Deferred contributions	(98,137)	(113,007)
Prepaid expenses	-	707
Accounts receivable	(5,601)	77,997
	<u>(121,275)</u>	<u>90,775</u>
INVESTING ACTIVITIES		
Purchase of land	(169,650)	-
Purchase of investments	-	(595,271)
Capital withdrawals on investments	685,927	22,500
	<u>516,277</u>	<u>(572,771)</u>
INCREASE (DECREASE) IN CASH DURING THE YEAR	395,002	(481,996)
Cash, BEGINNING OF YEAR	<u>177,676</u>	<u>659,672</u>
CASH, END OF YEAR	\$ 572,678	\$ 177,676

THAMES TALBOT LAND TRUST

Notes to Financial Statements
December 31, 2018

1. PURPOSE OF THE ORGANIZATION AND STATUTORY INFORMATION

Thames Talbot Land Trust ("the Trust") was incorporated by Letters Patent constituting a corporation without share capital on March 28, 2000 and is a registered charity pursuant to the Income Tax Act. Its purpose is to protect areas of ecological value, protect areas of importance for water supplies and to acquire and hold lands for conservation purposes. According to the provisions of the Income Tax Act (Canada), the Trust is exempt from taxes on income.

2. ACCOUNTING POLICIES

The accompanying financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The significant accounting policies are summarized below.

Revenue Recognition

The Trust follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Investment income earned, including realized and unrealized gains and losses, is recognized on an accrual basis as revenue of the appropriate fund.

Membership fees and rental income are recognized as revenue in the period in which they are earned and collection is reasonably assured. These revenues are considered earned over the term of the membership/rental agreement.

Cash and Cash Equivalents

Cash as disclosed on the Statement of Financial Position consists of cash on hand, balances with banks and money market funds.

Capital Assets

Capital assets are recorded at acquisition cost. Amortization is provided on the declining balance method over the estimated useful lives of the assets at the following annual rates, with one-half the rate in the year of acquisition.

Vehicle	30 %
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Land owned by the Trust is recorded as a capital asset at fair market value at the time of acquisition, where such value can be reasonably determined, and is not amortized.

THAMES TALBOT LAND TRUST

Notes to Financial Statements
December 31, 2018

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Accounting

The Trust maintains its accounts in accordance with the principles of fund accounting. Resources are classified for accounting purposes into funds according to the objective specified as follows:

Operating Fund

The Operating Fund accounts for the day to day operating activities of the Trust.

Stewardship Fund

The Stewardship Fund provides for the maintenance of Trust properties.

Conservation Lands Fund

The Conservation Lands Fund holds properties donated to or acquired by the Trust.

Opportunities Fund

The Opportunities Fund is used to secure the donation or acquisition of land or conservation of easements.

Endowment Fund

The Endowment Fund holds investments transferred by the Board of Directors for the long term maintenance of Trust properties.

Contributed Services

Volunteers contribute many hours each year to assist the Trust in carrying out its activities. Due to the difficulty in determining fair value, contributed services are not recognized in the financial statements.

Use of Estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations 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 date of the financial statements and the reported amount of revenues and expenses during the reported period. Specific estimates include the useful lives of capital assets and fund allocation of revenue and expenses. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in excess (deficiency) of revenue over expenses in the period in which they become known.

THAMES TALBOT LAND TRUST

Notes to Financial Statements
December 31, 2018

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments

Measurement of financial instruments:

The Trust initially measures its financial assets and financial liabilities at fair value. The Trust subsequently measures all its financial assets and financial liabilities at amortized cost, except the investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in excess (deficiency) of revenue over expenditures.

Impairment:

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down and any subsequent reversal are recognized in excess (deficiency) of revenue over expenditures.

Transaction costs:

The Trust recognizes its transactions costs in net income in the period incurred. However, financial instrument that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

3. INVESTMENTS

The Stewardship Funds and Opportunities Funds' investments, recorded at fair market value, consist of the following:

	2018	2017
TD Canada Trust - GICs (Stewardship Fund)	\$ 22,054	\$ 22,054
RBC - mutual funds (Opportunities Fund)	86,136	138,532
London Community Foundation - Jane M. Bowles (Stewardship Fund)	127,532	246,905
TD Canada Trust - GICs (Opportunities Fund)	-	500,510
	<u>\$ 235,722</u>	<u>\$ 908,001</u>

The Endowment Fund investments, recorded at fair market value, consist of the following:

	2018	2017
London Community Foundation	\$ 758,733	\$ 772,381

THAMES TALBOT LAND TRUST

Notes to Financial Statements
December 31, 2018

4. CAPITAL ASSETS

	Cost	Accumulated Amortization	Net	
			2018	2017
Vehicle	\$ 13,369	\$ 9,471	\$ 3,898	\$ 5,569

5. TRANSFER BETWEEN FUNDS

During the year, the Trust transferred amounts between funds as follows:

- A transfer of \$186,951 from the Stewardship Fund to the Operating Fund to cover general expenses and a transfer of \$144,426 from the Operating Fund to the Stewardship Fund for donations and grants deposited to the Operating Fund.
- A transfer of \$11,274 from the Opportunities Fund to the Operating Fund for donations and grants deposited to the Operating Fund.
- A transfer of \$63,262 from the Operating Fund to the Opportunities Fund for general expenses.
- A transfer of \$111,948 from the Opportunities Fund and \$327 from the Operating Fund for a total of \$112,275 transferred to the Conservation Lands Fund to purchase the Lusty Family Woods 2 property.
- A transfer of investment earnings of \$20,500 from the Endowment Fund with the London Community Foundation to the Operating Fund and a transfer of \$32,800 from the Opportunities Fund to the Endowment Fund as a capital contribution to the fund.

THAMES TALBOT LAND TRUST

Notes to Financial Statements
December 31, 2018

6. DEFERRED CONTRIBUTIONS

Deferred contributions represent revenue received for which the completion of a grant contract and expenses will occur in a subsequent period.

Operating Fund

Changes in the deferred contributions, which are internally restricted, are as follows:

	2018	2017
Beginning balance	\$ 55,257	\$ 56,175
Add: Ontario Trillium Foundation contributions	-	50,400
Less: amounts repaid to to LEN during the year	(25,730)	-
Less: amounts recognized as revenue during year	(29,527)	(51,318)
	<u>\$ -</u>	<u>\$ 55,257</u>

In March 2018, London Environmental Network (LEN) was incorporated as a non-profit organization and Thames Talbot Land Trust transferred the prior years' remaining balance to LEN. The final distribution of \$2,192 related to 2018 surplus was made subsequent to year-end and is included in accounts payable and accrued liabilities at year-end.

Stewardship Fund

In 2014, the Board established a limited term restricted fund at the London Community Foundation for the Jane M. Bowles Stewardship Fund. This fund is used to support the salary for the property manager position at the Trust. During 2014, \$220,000 was deposited to the fund. This fund continues to receive donations annually and is a component of the Hawk Cliff and Beyond campaign. In 2018, two new grant projects were started with Ontario Trillium Foundation for school programs and CMHA. The unspent amounts at year-end are included below.

Changes in the deferred contributions are as follows:

	2018	2017
Beginning balance	\$ 127,126	\$ 224,416
Add: Ontario Trillium Foundation contributions	75,000	-
Add: TD Engaging Stewardship contributions	2,096	6,451
Less: amounts recognized as revenue during year	(119,975)	(103,741)
	<u>\$ 84,247</u>	<u>\$ 127,126</u>

The total amount externally restricted for the property manager position is \$63,479 and the amount externally restricted for the school programs and CMHA is \$20,768.

THAMES TALBOT LAND TRUST

Notes to Financial Statements
December 31, 2018

7. FINANCIAL INSTRUMENTS RISK MANAGEMENT

Transactions in financial instruments may result in financial risks being assumed by the Trust or transferring to another party. The risks identified by the Trust are as follows:

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Trust's investments are a mix of fixed and variable interest rates. Accordingly, the Trust is exposed to interest rate risk resulting in changes to future interest rates applicable to its investments with variable interest rates.

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Trust is exposed to market risk to the full extent of its investments in marketable securities as shown on the Statement of Financial Position.

Other Risks

It is management's belief that the Trust is not exposed to significant credit, currency and liquidity risk.

The extent of the Trust's exposure to the above risks did not change during the fiscal year.

8. SUBSEQUENT EVENT

In 2019, the Trust purchased the Bebenssee 2 property, a 75 acre property in Southwest Middlesex, Ontario for \$240,000. The purchase closed on April 5, 2019.