

THAMES TALBOT LAND TRUST

Financial Statements

Year ended December 31, 2015

Draft - Subject to change

INDEPENDENT AUDITOR'S REPORT

To the Directors of
Thames Talbot Land Trust

We have audited the accompanying financial statements of Thames Talbot Land Trust, which comprise the statement of financial position as at December 31, 2015 and the statements of operations, 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 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, the auditor considers internal control relevant to the entity'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 entity'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 audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualification

In common with many charitable organizations, the Trust derives some of its revenue from donations, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, we were not able to determine whether any adjustments might be necessary to donation revenues, excess of revenue over expenditures, assets and net assets.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualification paragraph, these financial statements present fairly, in all material respects, the financial position of Thames Talbot Land Trust as at December 31, 2015 and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

London, Ontario
Pending board approval

Chartered Professional Accountants
Licensed Public Accountants

THAMES TALBOT LAND TRUST

Statement of Financial Position
As at December 31, 2015

	Operating Fund	Endowment Fund	Stewardship Fund	Conservation Lands Fund	Opportunities Fund	Total 2015	Total 2014
ASSETS							
CURRENT							
Cash	\$ 64,942	\$ -	\$ 4,095	\$ -	\$ 419,751	\$ 488,788	\$ 129,168
Investments (Note 3)	-	572,769	132,640	-	586,369	1,291,778	1,615,841
Accounts receivable	13,749	-	3,000	-	-	16,749	-
Government remittances recoverable	7,188	-	-	-	-	7,188	1,486
Prepaid expenses	1,632	-	707	-	1,000	3,339	14,074
	87,511	572,769	140,442	-	1,007,120	1,807,842	1,760,569
CAPITAL ASSETS (Note 4)	-	-	11,364	-	-	11,364	-
LAND	-	-	-	2,528,654	-	2,528,654	2,237,354
	\$ 87,511	\$ 572,769	\$ 140,442	\$ 2,528,654	\$ 1,007,120	\$ 4,347,860	\$ 3,997,923
LIABILITIES							
CURRENT							
Accounts payable and accrued liabilities	\$ 15,139	\$ -	\$ 1,061	\$ -	\$ 40	\$ 16,240	\$ 10,633
Deferred contributions (Note 6)	24,745	-	171,154	-	91,307	287,206	230,731
	39,884	-	172,215	-	91,347	303,446	241,364
NET ASSETS	47,627	572,769	(20,409)	2,528,654	915,773	4,044,414	3,756,559
	\$ 87,511	\$ 572,769	\$ 151,806	\$ 2,528,654	\$ 1,007,120	\$ 4,347,860	\$ 3,997,923

APPROVED BY THE DIRECTORS:

Director

THAMES TALBOT LAND TRUSTStatement of Changes in Net Assets
Year ended December 31, 2015

	Operating Fund	Endowment Fund	Stewardship Fund	Conservation Lands Fund	Opportunities Fund	Total 2015	Total 2014
NET ASSETS, Beginning of year	\$ (33,378)	\$ 575,845	\$ 74,335	\$ 2,237,354	\$ 902,403	\$ 3,756,559	\$ 3,498,990
Net earnings	15,049	16,524	(7,175)	-	263,457	287,855	257,569
	(18,329)	592,369	67,160	2,237,354	1,165,860	4,044,414	3,756,559
Net internal fund transfers (Note 5)	65,956	(19,600)	(87,569)	291,300	(250,087)	-	-
NET ASSETS, End of year	\$ 47,627	\$ 572,769	\$ (20,409)	\$ 2,528,654	\$ 915,773	\$ 4,044,414	\$ 3,756,559

Draft - Subject to change

THAMES TALBOT LAND TRUST

Statement of Operations

Year ended December 31, 2015

	Operating Fund	Endowment Fund	Stewardship Fund	Conservation Lands Fund	Opportunities Fund	Total 2015	Total 2014
REVENUE							
Donations	\$ 41,843	\$ 1,253	\$ 13,545	\$ -	\$ 332,691	\$ 389,332	\$ 144,447
Deferred contributions (Note 6)	84,161	-	86,611	-	17,167	187,939	78,919
Investment income (Note 3)	-	24,209	9,547	-	6,725	40,481	46,172
Fundraising revenue	26,140	-	-	-	-	26,140	-
Agricultural rental income	10,396	-	-	-	-	10,396	10,927
Membership fees	9,150	-	-	-	-	9,150	7,365
Grants	8,905	-	150	-	-	9,055	7,077
Canada Summer Jobs Grant	8,400	-	-	-	-	8,400	8,766
Social enterprise grant	2,500	-	-	-	-	2,500	2,500
Workshops and miscellaneous	136	-	-	-	-	136	49
Ontario Land Trust Assistance Plan grant	-	-	-	-	-	-	6,204
Donated land	-	-	-	-	-	-	200,000
Wardsville Woods rehabilitation grants	-	-	-	-	-	-	16,600
	<u>191,631</u>	<u>25,462</u>	<u>109,853</u>	<u>-</u>	<u>356,583</u>	<u>683,529</u>	<u>529,026</u>
EXPENSES							
Salaries & wages	104,179	-	62,705	-	67,824	234,708	171,610
Administrative and general	40,035	-	-	-	-	40,035	29,013
Property stewardship	-	-	33,931	-	-	33,931	20,761
Hawk Cliff campaign expenses	-	-	-	-	13,681	13,681	-
Fundraising expenditures	13,496	-	-	-	-	13,496	1,388
Stewardship intern expenditures	-	-	12,438	-	-	12,438	-
Investment management fees	-	8,938	3,404	-	-	12,342	8,655
Property acquisition costs	-	-	-	-	11,621	11,621	-
Professional fees	7,632	-	-	-	-	7,632	8,297
Membership fees	2,694	-	-	-	-	2,694	2,029
Social enterprise expenditures	2,471	-	-	-	-	2,471	2,453
Bank charges and interest	2,328	-	-	-	-	2,328	1,315
Insurance - directors and officers	2,172	-	-	-	-	2,172	2,186
Amortization	-	-	2,005	-	-	2,005	-
Office rent	1,575	-	-	-	-	1,575	2,250
Wardsville Woods rehabilitation expenditures	-	-	1,525	-	-	1,525	15,295
Automotive	-	-	1,020	-	-	1,020	-
OLTAP grant expenditures	-	-	-	-	-	-	6,205
	<u>176,582</u>	<u>8,938</u>	<u>117,028</u>	<u>-</u>	<u>93,126</u>	<u>395,674</u>	<u>271,457</u>
NET EARNINGS	\$ 15,049	\$ 16,524	\$ (7,175)	\$ -	\$ 263,457	\$ 287,855	\$ 257,569

THAMES TALBOT LAND TRUST

Statement of Cash Flows
Year ended December 31, 2015

7446.0 printed March 28, 2016

2015 2014

Cash provided by (used in):

OPERATING ACTIVITIES

Net earnings for the year	\$ 287,855	\$ 257,569
Add (deduct) non-cash items:		
Unrealized (gains) losses on investments	25,048	(26,541)
Realized (gains) losses on investments	(46,831)	1,421
Amortization	2,005	-
Change in non-cash working capital items related to operations:		
Government remittances recoverable	(5,702)	1,697
Accounts payable & accrued liabilities	5,606	1,177
Deferred contributions	56,476	(26,443)
Prepaid expenses	10,735	(12,674)
Accounts receivable	(16,749)	-
	<u>318,443</u>	<u>196,206</u>

INVESTING ACTIVITIES

Donation of land	-	(202,081)
Purchase of capital assets	(304,669)	-
Purchase of investments	(42,687)	(61,185)
Capital withdrawals on investments	137,200	21,377
Proceeds on sale of investments	251,333	-
	<u>41,177</u>	<u>(241,889)</u>

INCREASE (DECREASE) IN CASH DURING THE YEAR

Cash, beginning of year	<u>129,168</u>	<u>174,851</u>
CASH, END OF YEAR	\$ 488,788	\$ 129,168

THAMES TALBOT LAND TRUST

Notes to Financial Statements

December 31, 2015

7446.0 printed March 28, 2016

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.

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 for the long term maintenance of Trust properties.

Revenue Recognition

Thames Talbot Land 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.

THAMES TALBOT LAND TRUST

Notes to Financial Statements

December 31, 2015

7446.0 printed March 28, 2016

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributed Services

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

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 %
---------	------

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.

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 of revenue over expenses.

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 net income.

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.

Cash and cash equivalents

Cash as disclosed on the balance sheet consists of cash on hand and balances with banks.

THAMES TALBOT LAND TRUST

Notes to Financial Statements

December 31, 2015

7446.0 printed March 28, 2016

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the period in which they become known.

3. INVESTMENTS

The Endowment and Stewardship fund's investments, recorded at fair market value, consist of the following:

	2015	2014
TD Canada Trust - GICs	\$ 22,054	\$ 21,828
London Community Foundation - Endowment Fund	572,769	575,845
RBC - equity investments	2,657	-
London Community Foundation - Jane Bowles Memorial Fund	107,929	219,696
	<u>\$ 705,409</u>	<u>\$ 817,369</u>

The Opportunities fund's investments, recorded at fair market value, consist of the following:

	2015	2014
TD Canada Trust - GICs	\$ 200,510	\$ 366,550
RBC Mutual Funds - High Interest Savings	385,858	431,922
	<u>\$ 586,368</u>	<u>\$ 798,472</u>

The Endowment and Stewardship fund's investment income for the year end, consist of the following:

	2015	2014
Interest & dividends	\$ 11,973	11,909
Realized gains (losses)	46,831	(1,421)
Unrealized gains (losses)	(25,048)	26,541
	<u>\$ 33,756</u>	<u>37,029</u>

The Opportunities fund's investment income for the year end, consist of the following:

	2015	2014
Interest & dividends	\$ 6,725	9,143

THAMES TALBOT LAND TRUST

Notes to Financial Statements

December 31, 2015

7446.0 printed March 28, 2016

4. CAPITAL ASSETS

	Cost	Accumulated Amortization	Net	
			2015	2014
Vehicle	\$ 13,369	\$ 2,005	\$ 11,364	\$ -

Prior to fiscal 2015, the Trust qualified under Canadian accounting standards for not-for-profit organizations to expense depreciable capital assets when acquired, as their average annual revenues did not exceed \$500,000. During the current year, the policy changed due to the average annual revenue being \$606,278. Capital assets acquired in the year were capitalized and amortized over the useful life of the asset. Assets from years prior to 2015, including furniture and computers, were deemed to have an insignificant net book value and as such, no adjustment has been made.

5. TRANSFER BETWEEN FUNDS

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

- Transferred \$197,835 from the Stewardship fund to the Operating fund to cover stewardship and land maintenance expenditures. In return the Operating fund purchased products and services on behalf of the Stewardship fund in the amount of \$124,634.
- During the year donations and grants for the Stewardship fund were deposited to the Operating fund in the amount of \$16,602.
- Transferred \$143,961 from the Opportunities fund to the Operating fund to cover land acquisition and campaign expenditures. In return the Operating fund purchased products and services in the amount of \$94,089 on behalf of the Opportunities fund.
- During the year donations and grants for the Opportunities fund were deposited to the Operating fund in the amount of \$4,765.
- The Opportunities fund monies in the amount of \$183,008 were used to purchase the Beryl Ivey Woods property. In addition the Operating fund monies in the amount of \$103,236 were used to purchase the Lusty Family Woods Property.
- During the year grants received in the amounts of \$2,118 and \$5,102 to cover the acquisition costs of the Conservation Lands fund were deposited to the Stewardship and Operating funds respectively.
- During the year the Endowment fund with the London Community Foundation issued a disbursement of investment earnings of \$19,600 which was deposited to the Operating fund.

THAMES TALBOT LAND TRUST

Notes to Financial Statements

December 31, 2015

7446.0 printed March 28, 2016

6. DEFERRED REVENUE

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

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

	2015	2014
Beginning balance	\$ 31,406	\$ 33,191
Add: Ontario Trillium Foundation contributions	72,500	41,600
Add: Ontario Land Trust Alliance contributions	5,000	-
Less: amounts recognized as revenue during year	84,161	43,385
	<u>\$ 24,745</u>	<u>\$ 31,406</u>

Changes in the deferred contributions in the Stewardship fund, which are externally restricted for the purpose of funding the property manager position, are as follows:

	2015	2014
Beginning balance	\$ 199,325	\$ 221,104
Add: Jane Bowles Memorial Fund contributions	14,248	13,755
Add: Science Horizons contributions	12,000	-
Add: Land Stewardship and Habitat Restoration contributions	16,805	-
Add: Ontario Land Trust Alliance contributions	11,187	-
Add: TD Engaging Stewardship contributions	4,200	-
Less: amounts recognized as revenue during year	86,611	35,534
	<u>\$ 171,154</u>	<u>\$ 199,325</u>

In 2015, the Trust established a Limited Term Restricted Fund at the London Community Foundation for the Jane Bowles Memorial 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.

Changes in the deferred contributions in the Opportunities fund, which are externally restricted for the purpose of campaigning to acquire new conservation lands, are as follows:

	2015	2014
Beginning balance	\$ -	\$ -
Add: Habitat Stewardship Program contributions	100,721	-
Add: Environmental Damages contributions	2,753	-
Add: TD Friends of the Environment contributions	5,000	-
Less: amounts recognized as revenue during year	17,167	-
	<u>\$ 91,307</u>	<u>\$ -</u>

THAMES TALBOT LAND TRUST

Notes to Financial Statements

December 31, 2015

7446.0 printed March 28, 2016

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 organization's investments are at variable interest rates. Accordingly the organization is exposed to interest rate risk resulting in changes to future interest rates applicable to its investments.

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 organization 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. COMMITMENT

During 2015 the Trust signed an agreement to purchase Hawk Cliff Woods, a 224 acre property in Elgin County for \$800,000. This agreement is irrevocable and is expected to close May 6, 2016. To fund the purchase and stewardship of this project the Trust started a campaign to raise \$1,600,000, during the year the Trust received contributions to this campaign in the amount of \$415,049 and pledges for an addition \$729,715.