

Essex Region Conservation Foundation

**Financial Statements
December 31, 2022**

INDEPENDENT AUDITOR'S REPORT

**To the Directors of
Essex Region Conservation Foundation**

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Essex Region Conservation Foundation which comprise;

- the statement of financial position as at December 31, 2022
- the statement of revenue and expenses and changes in net assets for the year then ended
- the statement of cash flow for the year then ended
- and notes to the financial statements, including a summary of 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 Essex Region Conservation Foundation as at December 31, 2022 and its results of operations and its cash flows for the 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the company 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 these financial statements, management is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to a going concern and using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

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

**HICKS, MacPHERSON, IATONNA
& DRIEDGER LLP**

*Hicks, MacPherson, Iatonna
& Driedger LLP*

Leamington, Ontario
June 14, 2023

Chartered Professional Accountants
Licensed Public Accountants

**ESSEX REGION CONSERVATION FOUNDATION
STATEMENT OF FINANCIAL POSITION
DECEMBER 31**



December 31	2022	2021
Assets		
Current		
Cash	\$ 139,176	\$ 352,404
Accounts and grants receivable	22,608	39,941
Due from related entity (Note 4)	832	5,875
Prepaid expenses (Note 2)	16,298	11,616
Inventory held for resale (Note 1)	6,000	6,000
	<u>184,915</u>	<u>415,836</u>
Investments (Note 3)	298,137	324,120
	<u>\$ 483,052</u>	<u>\$ 739,956</u>
Liabilities		
Current		
Accounts payable, advances and accrued liabilities	\$ 500	\$ 7,070
Grants payable	83,950	248,872
	<u>84,450</u>	<u>255,942</u>
Net Assets		
Operating Fund (Unrestricted)	81,229	91,696
Restricted Funds:		
Fred Cada Heritage Forest Fund	4,017	2,385
Land Protection / Restoration Fund	82,874	67,494
Place For Life Fund	89,619	91,031
David & Margaret Reid Nature Fund	30,446	38,317
Long Term Fund-Jamieson Fund (Unrestricted)	110,418	193,091
	<u>398,602</u>	<u>484,014</u>
	<u>\$ 483,052</u>	<u>\$ 739,956</u>

ESSEX REGION CONSERVATION FOUNDATION
STATEMENT OF REVENUE AND EXPENSES AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31



	Operating Fund	Fred Coda Heritage Forest Fund	Land Protection/ Restoration Fund	Place For Life Fund	David & Margaret Reid Nature Fund	Jamieson Fund	Total 2022	Budget 2022	Audited 2021
Revenues									
Publicly raised sources of funding									
Donations - corporate & individual	\$ 6,885	\$ 5,795	\$ -	\$ 313,432	\$ -	\$ -	\$ 326,112	\$ 328,161	\$ 471,351
Grants from registered charities & foundations	-	-	15,380	40,000	-	-	55,380	39,000	25,550
In-kind contributions	3,900	-	-	-	-	-	3,900	3,900	3,900
Special events (includes event donations)	97,478	-	-	-	-	-	97,478	85,800	81,425
Non publicly raised sources of funding									
Interest income	3,822	-	-	-	-	-	3,822	350	1,097
Unrealized investment gains/(losses)	(10,439)	-	-	-	(2,871)	(12,672)	(25,982)	-	37,310
	101,646	5,795	15,380	353,432	(2,871)	(12,672)	460,709	457,211	620,633
Grants									
Grants to ERCA	88,000	4,000	-	339,900	4,800	70,000	506,700	461,150	478,605
Operating Expenses									
Fundraising & event supplies	20,363	-	-	-	-	-	20,363	21,800	20,392
Advertising & media	2,441	-	-	-	-	-	2,441	2,650	-
Audit & legal	3,900	-	-	-	-	-	3,900	7,900	4,409
Supplies - office & miscellaneous	1,653	-	-	35	-	-	1,689	775	719
Meetings & travel	247	-	-	-	-	-	247	75	163
Insurance	2,000	-	-	-	-	-	2,000	2,000	1,500
Bank charges & credit card fees	2,171	163	-	1,037	-	-	3,372	1,680	3,294
Website, software & hardware	5,410	-	-	-	-	-	5,410	5,300	163
Total Operating Expenses	38,186	163	-	1,073	-	-	39,421	42,180	30,641
	126,186	4,163	-	340,973	4,800	70,000	546,121	503,330	509,246
Excess / (Deficiency) of revenue over expenses	(24,539)	1,631	15,380	12,460	(7,671)	(82,672)	(85,412)	(46,119)	111,388
Net Assets, Beginning of year	91,696	2,385	67,494	91,031	38,317	193,091	484,014	484,014	372,626
Fund transfers	14,072	-	-	(13,872)	(200)	-	-	-	-
Net Assets, End of year	\$ 81,229	\$ 4,017	\$ 82,874	\$ 89,619	\$ 30,446	110,418	\$ 398,602	\$ 437,895	\$ 484,014

Essex Region Conservation Foundation
Statement of Cash Flow
December 31



	2022	2021
	Actual	Actual
Cash flow from operating activities		
Cash receipts from grants, donations, fundraising	\$ 497,446	\$ 547,788
Cash paid to suppliers	(42,873)	(27,823)
Cash paid to grant recipients	(671,622)	(466,503)
	(217,049)	53,462
Cash flow from investing activities		
Interest income	3,822	1,097
Change in cash and cash equivalents	(213,228)	54,559
Cash and cash equivalents, beginning of year	352,404	297,845
Cash and cash equivalents, end of year	\$ 139,176	\$ 352,404

During the year services were donated to the Foundation at an aggregate cost of \$3,900 (2021 - \$3,900)

ESSEX REGION CONSERVATION FOUNDATION

Notes to the Financial Statements

December 31, 2022

Nature of Operations

The mission of the Essex Region Conservation Foundation (ERCF) is to develop public support and participation in the achievement of a sustainable Windsor-Essex-Point Pelee region through natural and cultural heritage, conservation, and protection of significant natural properties. The Foundation works to achieve its mission primarily through raising funds and disbursing grants to the Essex Region Conservation Authority and other organizations, which are working towards a shared vision of environmental sustainability.

ERCF is a registered charity and is required to comply with regulations set forth by the Income Tax Act, the Charities Accounting Act, the Trustee Act and the Not-For-Profit Corporations Act.

1. Summary of accounting policies

The financial statements of ERCF are prepared by management in accordance with Canadian accounting standards for not-for-profit organizations (ASNFPO) and include the following accounting policies:

Use of Estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations (ASNFPO) requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Significant items subject to such estimates and assumptions include the valuation of prepaid expenses and accruals. Although these estimates are based on management's best knowledge of current events and actions that the Foundation may undertake in the future, actual results could differ from the estimates.

Revenue Recognition

Unrestricted contributions and grants are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. All other income is recorded as cash when received.

1. Summary of accounting policies (continued)

Fund Accounting

The Foundation follows the restricted fund method of accounting for contributions. The Foundation ensures, as part of its fiduciary responsibilities, that all funds received with a restricted purpose are expended for the purpose for which they are provided.

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

Operating Fund

The Operating Fund accounts for the Foundation's undesignated fundraising activities and reports unrestricted resources available for immediate purposes.

Restricted Funds

- **Internally restricted – Fred Cada Heritage Forest Fund**
To fund tree planting, related taxes and maintenance in various Heritage Forest locations. Restriction is limited to expenses required to fulfill biennial tree planting obligation and surplus is available to the Operating fund. Gift that Honours donations are allocated to the memorial forests.
- **Internally/Externally restricted – Land Protection / Restoration Fund**
To provide land acquisition or restoration financial assistance and to fund reasonable expenses related thereto. Disbursements from the Windsor Essex Community Foundation's Place For Life Endowment Fund are allocated to the Land Protection & Restoration Fund, based on the original intent to utilize endowment earnings for land acquisition.

ESSEX REGION CONSERVATION FOUNDATION

Notes to the Financial Statements

December 31, 2022

1. Summary of accounting policies (continued)

Restricted Funds (continued)

- **Externally restricted – Place for Life Fund**

To fund various conservation, preservation, restoration and educational programs of the Essex Region Conservation Authority, as directed by donors and funders. The ERCA Projects Fund was renamed to the Place for Life fund on May 3rd, 2017.

- **Donor Advised Fund – David & Margaret Reid Nature Fund**

To fund various environmental conservation and natural restoration projects in Harrow with an emphasis on collaborative youth-based projects. This fund accrues interest and investment income.

Long-Term Fund

- **Internally restricted – Jamieson Fund**

To fund various conservation, preservation, restoration and educational projects and programs of the Essex Region Conservation Authority. This fund accrues interest and investment income.

Between April 2009 and December 2015, \$294,000 was transferred from the Islands of Green Endowment Fund to the Islands of Green Endowment Fund at the Windsor Essex Community Foundation (WECF), representing donations solicited through the Islands of Green campaign, with a stated intent of creating an endowment to fund land acquisitions in the region served by the Essex Region Conservation Authority.

The Essex Region Conservation Foundation is the sole beneficiary of the fund's investment earnings and distributions. All externally-restricted endowment donations received by the Foundation are transferred to the WECF. WECF renamed the Islands of Green Endowment Fund to the Place For Life Endowment Fund in 2018.

1. Summary of accounting policies (continued)

Investment and interest income

Investment income related to long-term investments is allocated to the David & Margaret Reid Nature Fund (RNF), the Jamieson Forest Endowment Fund (JFF) and to the Operating Fund, on a pro-rata basis, based on prior year ending balances. Balances from all funds, save and except for RNF and JFF are combined, and interest related to short-term investments and interest-bearing accounts, is posted to the Operating Fund. Funds are co-mingled for investment purposes.

Contributed Services

Volunteers, including Board Members and administrative staff of the Essex Region Conservation Authority contribute substantial unpaid hours in the support of the Foundation's mission and functions.

Due to difficulty in valuing those services, they are not recognized in the financial statements.

Financial Instruments

Measurement of Financial Instruments

The Foundation initially measures its financial assets and financial liabilities at fair value, except for certain non-arm's length transactions.

The Foundation subsequently measures all of its financial assets and financial liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in net income.

Financial assets measured at amortized cost include cash, accounts and grants receivable and due from related entity. Financial assets measured at fair value include the investments.

Financial liabilities measured at amortized cost include accounts payable, advances and accrued liabilities and grants payable.

1. Summary of accounting policies (continued)

Transaction Costs

The Foundation recognizes its transaction costs in the net income in the period incurred. However, the carrying amount of the financial instruments that will not be subsequently measured at fair value is reflected in the transaction costs that are directly attributable to their origination, issuance, or assumption.

Impairment

Financial assets measured at cost are tested for impairment when there are indicators of impairment. At the present time there are no indications of impairment.

Inventory held for resale

Inventory held for resale includes a vacant lot that was donated to the Foundation. The intention is to sell this land. It was valued using the MPAC assessment at the time of title transfer.

2. Prepaid Expenses

Prepaid expenses relate to fundraising supplies purchased in bulk for future special events and to costs directly related to multi-year fundraising campaigns, when the Foundation can reliably demonstrate that there is a future economic benefit associated with these costs. These costs are expensed over their useful life, which for special fundraising campaigns is the period over which pledges are collected. Such costs are expensed immediately when there is insufficient evidence that the costs are recoverable.

ESSEX REGION CONSERVATION FOUNDATION

Notes to the Financial Statements

December 31, 2022

3. Investments

Investments of the Essex Region Conservation Foundation are managed by the Windsor Essex Community Foundation (WECF) through its Managed Funds service, in accordance with the WECF investment policy, and are stated at fair value. Market values for managed fund investments were provided for the most recent available date of December 31, 2022 and are unaudited at that date.

	<u>2022</u>	<u>2021</u>
Fair value	\$298,137	\$324,120
Cost	\$214,638	\$214,638

4. Related Entity

Services and functions, that would normally be provided by compensated Foundation staff, and related to the operational requirements of the Foundation, are executed by administrative staff of the Essex Region Conservation Authority. The activities include essential functions such as governance, finance/accounting and compliance; treasury and fund management; event planning and execution; and donor relations. The Foundation has historically provided an operating grant that is intended to compensate for costs incurred by the Authority, however the operating grant does not adequately reflect the fair market value of services that are provided and that are necessary to sustain the core functions of the Foundation. Other operating expenses related to normal overhead such as occupancy, telecommunications, and computer network and equipment are absorbed by the Authority. In the absence of the grant arrangement, the recorded operating expenses and percentage of revenues devoted to administrative and fundraising activities would be substantially higher.

The grant to partially compensate the Authority is approved annually and is included in the total identified grants to ERCA. The amount granted during 2022 to compensate for staffing costs was \$60,000 (2021- \$40,000).

4. Related Entity (continued)

Due to changes in the Conservation Authorities Act, effective January 1, 2024, regarding provision of non-mandatory services and requirements relating to funding thereof, there may be implications for the Foundation with respect to how its administrative and operational requirements may be met and the associated costs. Beginning in 2024, any provision of the noted support services, by the Authority, is non-mandatory under the Act and the full cost of service delivery must be borne by the Foundation.

5. Financial Instruments

Risks and Concentrations

The Foundation is exposed to various risks through its financial instruments without being exposed to concentrations of risk. The following analysis of risk provides a measure of the Foundation's risk exposure at the balance sheet date.

Market Risk

The Foundation's investments are susceptible to market risk which is defined as the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Foundation's market risk is affected by volatility in market rates or prices such as interest rates, foreign exchange rates and equity prices.

Management believes that the risk of market prices in the short to medium term is remote and therefore does not hedge its market risk. There has been no significant changes in exposure to market risk from the prior year.

5. Financial Instruments (continued)

Liquidity Risk

Liquidity risk is the risk that the Foundation will encounter difficulty in meeting obligations associated with financial liabilities. The organization is exposed to this risk mainly in respect of its grants payable. The Foundation manages its liquidity risk by monitoring cash flows and distributing grants as donations are received. Management believes the Foundation has sufficient funds to meet liabilities as they come due. There has been no significant changes in exposure to liquidity risk from the prior year.