

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, 2021
- 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, 2021 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 1, 2022

Chartered Professional Accountants
Licensed Public Accountants

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



December 31	2021	2020
Assets		
Current		
Cash and cash equivalents (Note 1)	\$ 352,404	\$ 297,845
Accounts and grants receivable	39,941	19,177
Due from related entity (Note 5)	5,875	-
Prepaid expenses (Note 2)	11,616	9,858
Inventory held for resale (Note 1)	6,000	6,000
	<u>415,836</u>	<u>332,881</u>
Investments (Note 3)	324,120	286,810
	<u>\$ 739,956</u>	<u>\$ 619,691</u>
Liabilities		
Current		
Accounts payable, advances and accrued liabilities (Note 4)	\$ 7,070	\$ 8,138
Due to related entity (Note 5)	-	2,157
Grants payable	248,872	236,770
	<u>255,942</u>	<u>247,065</u>
Net Assets		
Operating Fund (Unrestricted)	91,696	58,955
Restricted Funds:		
Fred Cada Heritage Forest Fund	2,385	10,471
Land Protection / Restoration Fund	67,494	44,994
Place For Life Fund	91,031	49,022
David & Margaret Reid Nature Fund	38,317	38,319
Long Term Fund-Jamieson Forest Fund (Unrestricted)	193,091	170,866
	<u>484,014</u>	<u>372,626</u>
	<u>\$ 739,956</u>	<u>\$ 619,691</u>

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



	Operating Fund	Fred Cada Heritage Forest Fund	Land Protection/ Restoration Fund	Place For Life Fund	David & Margaret Reid Nature Fund	Jamieson Forest Endowment Fund	Total 2021	Budget 2021	Audited 2020
Revenues									
Publicly raised sources of funding									
Donations-corporate & individual	\$ 5,979	\$ 14,298	\$ -	\$ 451,074	\$ -	\$ -	\$ 471,351	\$ 453,650	\$ 208,436
Grants from registered charities & foundations	-	-	25,000	550	-	-	25,550	25,000	59,871
In-kind contributions	3,900	-	-	-	-	-	3,900	4,000	3,900
Special events (includes event donations) (Note 7)	54,980	-	-	26,445	-	-	81,425	66,000	12,645
Non publicly raised sources of funding									
Interest income	1,097	-	-	-	-	-	1,097	900	8,916
Unrealized investment gains	10,087	-	-	-	4,998	22,225	37,310	-	37,493
	76,043	14,298	25,000	478,069	4,998	22,225	620,633	549,550	331,261
Grants									
Grants to ERCA	40,000	21,500	-	412,305	4,800	-	478,605	469,795	667,146
Operating Expenses									
Fundraising & event supplies	16,285	202	-	3,906	-	-	20,392	20,500	1,054
Consulting	-	-	-	-	-	-	-	-	12,183
Advertising & media	-	-	-	-	-	-	-	6,250	2,251
Audit & legal	4,409	-	-	-	-	-	4,409	4,000	3,900
Supplies - office & miscellaneous	436	-	-	283	-	-	719	2,200	2,025
Meetings & travel	101	-	-	62	-	-	163	-	-
Insurance	1,500	-	-	-	-	-	1,500	1,500	1,500
Bank charges & credit card fees	530	182	-	2,582	-	-	3,294	1,160	1,919
Website, software & hardware	163	-	-	-	-	-	163	1,500	-
Total Operating Expenses	23,424	384	-	6,833	-	-	30,641	37,110	24,833
	63,424	21,884	-	419,138	4,800	-	509,246	506,905	691,979
Excess / (Deficiency) of revenue over expenses									
Net Assets, Beginning of year	12,619	(7,586)	25,000	58,931	198	22,225	111,388	42,645	(360,719)
Fund transfers	58,955	10,471	44,994	49,022	38,319	170,866	372,626	372,626	733,345
	20,122	(500)	(2,500)	(16,922)	(200)	-	-	-	-
Net Assets, End of year	\$ 91,696	\$ 2,385	\$ 67,494	\$ 91,031	\$ 38,317	\$ 193,091	\$ 484,014	\$ 415,271	\$ 372,626

Essex Region Conservation Foundation
Statement of Cash Flow
December 31



	2021	2020
	Actual	Actual
Cash flow from operating activities		
Cash receipts from grants, donations, fundraising	\$ 547,788	\$ 283,911
Cash paid to suppliers	(27,823)	(12,616)
Cash paid to grant recipients	(466,503)	(556,476)
	53,462	(285,181)
Cash flow from investing activities		
Interest income	1,097	8,916
Change in cash and cash equivalents	54,559	(276,265)
Cash and cash equivalents, beginning of year	297,845	574,110
Cash and cash equivalents, end of year	\$ 352,404	\$ 297,845

During the year services were donated to the Foundation at an aggregate cost of \$3,900 (2020 - \$3,900).

ESSEX REGION CONSERVATION FOUNDATION

Notes to the Financial Statements

December 31, 2021

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 and the Ontario 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 when received.

ESSEX REGION CONSERVATION FOUNDATION

Notes to the Financial Statements

December 31, 2021

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 Memorial Forest Fund**
To fund tree planting, related taxes and maintenance in various Memorial 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, 2021

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.

Endowment Fund

- **Internally restricted – Jamieson Forest Endowment Fund**

To provide income to maintain the Jamieson Forest at Cedar Creek. 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.

ESSEX REGION CONSERVATION FOUNDATION

Notes to the Financial Statements

December 31, 2021

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 and cash equivalents, accounts receivable 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.

Cash and Cash Equivalents

Cash and cash equivalents include cash balances and short term highly liquid investments that are readily converted to cash.

2. Prepaid Expenses

Prepaid expenses relate to fundraising supplies purchased in bulk for future special events and 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, 2021

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, 2021 and are unaudited at that date.

	<u>2021</u>	<u>2020</u>
Fair value	\$324,120	\$286,810
Cost	\$214,638	\$214,638

4. Accounts Payable, Advances and Accrued Liabilities

Includes government remittances that are required to be paid to government authorities and are recognized when the amounts become due. In respect of government remittances, \$0 (2020 - \$388) (HST) is included in accounts payable and accrued liabilities.

5. 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 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.

ESSEX REGION CONSERVATION FOUNDATION

Notes to the Financial Statements

December 31, 2021

5. Related Entity (continued)

The grant to partially compensate the Authority is approved annually and is included in the total identified grants to ERCA. The amount granted during 2021 to compensate for staffing costs, was \$40,000 (2020- \$30,000).

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 will be implications for the Foundation with respect to the manner in which the essential functions are delivered and financed and the actual operating costs are expected to increase substantially, although the amount has not yet been quantified.

6. 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 enterprise'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.

6. 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.

7. COVID-19

On March 11, 2020, the World Health Organization declared the COVID-19 outbreak a pandemic. As a result of ongoing and shifting restrictions, regarding social gatherings, that remained in effect throughout 2021, the Board of Directors made a decision to not resume one of its three signature fund-raising events and conducted two fund-raising events in accordance with all public health measures and restrictions that were in effect at the time that the events were conducted.

Any financial or operating implications of public health measures and restrictions, were anticipated in the 2021 Budget and no additional impacts were experienced.