

The Couchiching Conservancy
Financial Statements
For the Year Ended October 31, 2011

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Independent Auditors' Report

**To the Members of
The Couchiching Conservancy**

Report on the Financial Statements

We have audited the accompanying financial statements of The Couchiching Conservancy, which comprise the balance sheet as at October 31, 2011, and the statement of operations and changes in fund balances and the statement of cash flow 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 generally accepted accounting principles 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.

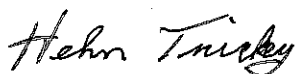
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In common with many charitable organizations, the organization derives revenue from donations and special event activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the organization and we were not able to determine whether any adjustments might be necessary to contributions, surplus, current assets and net assets.

In our opinion, except for the effect of any adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of the contributions referred to in the preceding paragraph, the financial statements present fairly, in all material respects, the financial position of The Couchiching Conservancy as at October 31, 2011, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



Hehn Trickey Professional Corporation
Chartered Accountants

*Authorized to practise public accounting by
The Institute of Chartered Accountants of Ontario*

Orillia, Ontario
January 28, 2012

The Couchiching Conservancy
Balance Sheet
As at October 31, 2011

	Operating Fund	Acquisition and Capital Fund	Other Fund	October 31 2011	October 31 2010
Assets					
Current					
Cash and bank	\$ 194,647	\$ -	\$ -	\$ 194,647	\$ 88,324
Short-term investments	3,088	33,825	70,632	107,545	134,515
Accounts receivable	45,142	-	-	45,142	30,021
Grants receivable	52,142	-	-	52,142	176,310
Interfund receivable	-	-	13,557	13,557	19,853
Prepaid expenses	-	-	-	-	916
	295,019	33,825	84,189	413,033	449,939
Long-term investments (Note 2)	4,246	-	142,188	146,434	114,974
Endowment assets (Note 3)	-	-	23,628	23,628	13,473
Capital assets (Note 4)	3,187	2,663,126	-	2,666,313	2,389,278
	\$ 302,452	\$ 2,696,951	\$ 250,005	\$ 3,249,408	\$ 2,967,664
Liabilities and Net Assets					
Current					
Accounts payable	\$ 25,304	\$ -	\$ -	\$ 25,304	\$ 60,085
Interfund payable	13,557	-	-	13,557	19,853
Deferred contributions	111,116	-	-	111,116	98,483
	149,977	-	-	149,977	178,421
Fund Balances					
Unrestricted (Note 5)	52,915	-	-	52,915	44,085
Invested in capital assets (Note 5 and 6)	3,187	2,663,126	-	2,666,313	2,389,278
Externally restricted for operating (Note 5)	1,600	-	-	1,600	1,600
Internally restricted - acquisition (Note 6)	-	33,825	-	33,825	56,325
President's reserve (Note 5)	94,773	-	-	94,773	94,773
Internally restricted - other (Note 7)	-	-	250,005	250,005	203,182
	152,475	2,696,951	250,005	3,099,431	2,789,243
	\$ 302,452	\$ 2,696,951	\$ 250,005	\$ 3,249,408	\$ 2,967,664

The accompanying notes are an integral part of these financial statements.

The Couchiching Conservancy
Statement of Operations and Changes in Fund Balances
For the Year Ended October 31, 2011

	Operating Fund	Acquisition & Capital Fund	Other Fund	October 31 2011	Budget	October 31 2010
Revenues						
Donations (Schedule 1)	\$ 109,747	\$ 272,180	\$ -	\$ 381,927	\$ 293,265	\$ 247,287
Grants (Schedule 1)	365,300	(435)	-	364,865	537,806	590,084
Interest	4,893	-	-	4,893	5,000	4,628
Merchandise and services	10,615	-	-	10,615	16,148	11,520
Miscellaneous	3,109	-	-	3,109	3,400	1,987
Special events	45,433	-	-	45,433	38,000	33,209
	539,097	271,745	-	810,842	893,619	888,715
Expenses						
Advertising and promotion	6,949	-	-	6,949	4,811	8,840
Amortization	983	-	-	983	1,310	1,310
Bank charges and interest	2,368	-	-	2,368	1,905	1,883
Dues, fees and licences	2,481	-	-	2,481	2,504	2,362
Fundraising and volunteers	1,483	2,251	-	3,734	4,000	12,083
General and office	15,582	-	-	15,582	6,724	19,286
Insurance	5,014	-	-	5,014	5,014	5,830
Materials and supplies	28,102	-	-	28,102	7,035	4,949
Printing and postage	7,667	-	-	7,667	15,570	5,788
Professional fees and closing costs	36,133	-	-	36,133	42,798	32,152
Property taxes and maintenance	5,622	-	-	5,622	6,200	7,430
Property and easement acquisitions	-	22,500	-	22,500	-	207,130
Property donation	-	255,686	-	255,686	310,000	645
Purchased merchandise	3,358	-	-	3,358	1,910	-
Special events	11,706	-	-	11,706	20,300	23,579
Subcontracts	118,395	-	-	118,395	145,417	295,798
Training and conference	7,118	-	-	7,118	5,450	3,580
Travel	16,590	-	-	16,590	13,576	23,859
Utilities and telephone	10,064	-	-	10,064	10,023	9,115
Wages and benefits	223,524	5,250	-	228,774	251,890	214,304
	503,139	285,687	-	788,826	856,437	879,923
Excess (deficiency) of revenues over expenses	35,958	(13,942)	-	22,016	37,182	8,792
Interfund transfers	(28,110)	(8,558)	36,668	-	-	-
Endowment contributions	-	-	10,155	10,155	-	13,473
Property and easement acquisitions	-	278,018	-	278,018	-	184,261
Fund balances, beginning of year	144,627	2,441,433	203,182	2,789,242	2,789,243	2,582,717
Fund balances, end of year (Note 5, 6 and 7)	\$ 152,475	\$ 2,696,951	\$ 250,005	\$ 3,099,431	\$ 2,826,425	\$ 2,789,243

The accompanying notes are an integral part of these financial statements.

The Couchiching Conservancy
Statement of Cash Flows
As at October 31, 2011

	Operating Fund	Acquisition & Capital Fund	Other Fund	October 31 2011	October 31 2010
Cash provided by (used in)					
Operating activities					
Excess (deficiency) of revenues over expenses	\$ 35,958	\$ (13,942)	\$ -	\$ 22,016	\$ 8,792
Items not involving cash					
Amortization of capital assets	983	-	-	983	1,310
Property and easement acquisitions	-	278,018	-	278,018	184,261
Interfund transfers	(28,110)	(8,558)	36,668	-	-
	8,831	255,518	36,668	301,017	194,363
Changes in non-cash working capital balances					
Accounts receivable	(29,147)	14,026	-	(15,121)	(44,191)
Grants receivable	118,708	5,460	-	124,168	(89,410)
Accrued interest receivable	-	-	-	-	2,354
Prepaid expenses	916	-	-	916	10,808
Long term investments	(4,246)	-	(27,214)	(31,460)	(106,622)
Endowment assets	-	-	(10,155)	(10,155)	(13,473)
Accounts payable	(34,782)	-	-	(34,782)	43,426
Deferred contributions	12,633	-	-	12,633	(25,105)
Change in interfund balances	33,410	(19,486)	(13,924)	-	-
	106,323	255,518	(14,625)	347,216	(27,850)
Investing and financing activities					
Property and easement acquisition	-	(278,018)	-	(278,018)	(184,261)
Endowment contributions received	-	-	10,155	10,155	13,473
	-	(278,018)	10,155	(267,863)	(170,788)
Increase (decrease) in cash during the year	106,323	(22,500)	(4,470)	79,353	(198,638)
Cash, beginning of year	91,412	56,325	75,102	222,839	421,477
Cash, end of year	\$ 197,735	\$ 33,825	\$ 70,632	\$ 302,192	\$ 222,839
Represented by					
Cash and bank	\$ 194,647	\$ -	\$ -	\$ 194,647	\$ 88,324
Short-term deposits	3,088	33,825	70,632	107,545	134,515
	\$ 197,735	\$ 33,825	\$ 70,632	\$ 302,192	\$ 222,839

The accompanying notes are an integral part of these financial statements.

The Couchiching Conservancy

Notes to Financial Statements

October 31, 2011

1. Significant Accounting Policies

Nature of Organization The Couchiching Conservancy was incorporated without share capital under the laws of Canada on November 4, 1993. The objects of the organization are as follows:

- a) To preserve, protect, restore and improve the natural environment of the Couchiching Severn region.
- b) To encourage and foster an understanding and awareness of the natural environment and its value in enhancing our quality of life.
- c) To acquire, maintain and preserve lands, or interests in lands of ecological, recreational, scientific, scenic, heritage or open space value.
- d) To promote and undertake research and data collection on the natural environment and to distribute the findings to the public.

The organization is a registered charity and, as such, is exempt from income tax and may issue income tax receipts to donors.

Fund Accounting The organization follows the restricted fund method of accounting for contributions.

The Operating Fund accounts for the organization's program delivery and administrative activities, which include the stewardship of existing properties and the indirect costs of property acquisition. This fund reports unrestricted resources and restricted operating grants.

The President's Reserve Fund is part of the operating fund created by a motion of the Board of Directors for future core operating expenditures of the organization.

The Acquisition and Capital Fund report the assets, liabilities, revenues and direct expenses related to the organization's property acquisitions. The Board of Directors established this fund for the purpose of acquiring lands in accordance with the organization's objectives.

The Other Fund encompasses the Property Protection Reserve Fund, The Carden Conservation Reserve Fund and the Couchiching Conservancy Land Stewardship Endowment Fund.

The Couchiching Conservancy
Notes to Financial Statements
October 31, 2011

1. Significant Accounting Policies (continued)

Fund Accounting (continued)

The Property Protection Reserve Fund reports the assets, revenues and expenditures related to the organization's property protection investments. The Board established this fund to provide investment income to maintain properties acquired, as well as to provide a source of funds for the enforcement of ecological conditions covering properties owned, protected under a conservation easement or under a management agreement. This fund is included in the "Other" fund category on the balance sheet, statement of operations and changes in fund balances, and the statement of cash flows.

The Carden Conservation Reserve Fund reports the assets, revenues and expenditures related to funds designated by the organization to be used directly for conservation activities on the Carden Plain. A committee is to be established to authorize the expenditure of these funds. This fund is included in the "Other" fund category on the balance sheet, statement of operations and changes in fund balances, and the statement of cash flows.

The Couchiching Conservancy Land Stewardship Endowment Fund is to be used for activities and operations in relation to property management and maintenance such as monitoring, property inventories, fencing, tree planting, habitat enhancement, trail maintenance, property taxes and land surveys.

Externally restricted funds include certain properties of the Acquisition and Capital Funds and the Ironside short-term investments held by the Operating Fund.

Revenue Recognition

Restricted contributions are recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue of the appropriate fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Revenue from merchandise sales, services and special events is recognized at the time of shipment, when the service is rendered or when the event occurs.

Contributed Materials and Services

Contributed materials and services which are used in the normal course of the organization's operations and would otherwise have been purchased are recorded at their fair value at the date of contribution if fair value can be reasonably estimated. Volunteers contribute their time to assist the organization in carrying out its various activities. Volunteer contributions are not recognized in the financial statements because of the difficulty of determining their fair market value.

The Couchiching Conservancy
Notes to Financial Statements
October 31, 2011

1. Significant Accounting Policies (continued)

Short-term Investments Short-term investments, which include accrued interest, are stated at the lower of cost and market value.

Capital Assets Capital assets are recorded at cost. Furniture and equipment are included in the Operating Fund.

The purchase of property and easements by the Acquisition Fund are charged to the statement of operations and changes in fund balances in the period of acquisition. These acquisitions are then transferred to the balance sheet as capital assets and in the fund balances as an investment in capital assets. Contributed capital assets are recorded at fair value at the date of contribution. Where fair value cannot be reasonably determined, contributed capital assets are recorded at a nominal amount. Amortization based on the estimated useful life of the asset is calculated as follows:

Furniture and equipment	- 10 years straight line basis
Computer equipment	- 5 years straight line basis

Use of Estimates The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

The Couchiching Conservancy
Notes to Financial Statements
October 31, 2011

1. Significant Accounting Policies (continued)

Financial Instruments The organization classifies its financial instruments into one of the following categories based on the purpose for which the asset was acquired. The organization's accounting policy for each category is as follows:

Assets held-for-trading

Financial instruments classified as assets held-for-trading are reported at fair value at each balance sheet date, and any change in fair value is recognized as an excess of revenue (expenditure) in the period during which the change occurs. Transaction costs are expensed when incurred.

Assets held-to-maturity

Financial instruments classified as assets held-to-maturity are carried at amortized cost using the effective interest method. Transaction costs are expensed when incurred.

In these financial statements, short and long-term investments have been classified as assets held-to-maturity.

Loans, receivables and other financial liabilities

Financial instruments classified as loans, receivables and other financial liabilities are carried at amortized cost using the effective interest method. Transaction costs are expensed when incurred.

In these financial statements, accounts receivable and grants receivable have been classified as loans and receivables. Accounts payable and accrued liabilities have been classified as other financial liabilities.

The Couchiching Conservancy
Notes to Financial Statements
October 31, 2011

2. Long-term Investments

	<u>2011</u>	<u>2010</u>
Guaranteed investment certificate with interest at 4.4%, maturing in June 2013	\$ 9,103	\$ 8,719
Guaranteed investment certificate with interest at 2.5%, maturing in March 2015	6,255	6,255
Guaranteed investment certificate with interest stepped at 1.85%, 2% and 2.5%, maturing in October 2013	100,000	100,000
Guaranteed investment certificate with interest at 2% maturing in May 2014	26,830	-
Guaranteed investment certificate with interest at 2% maturing in May 2014	4,246	-
	<u>\$ 146,434</u>	<u>\$ 114,974</u>

3. Endowment Assets

The endowment funds are being held by The Community Foundation of Orillia and Area on behalf of the Couchiching Conservancy.

The Couchiching Conservancy
Notes to Financial Statements
October 31, 2011

4. Capital Assets

	2011		2010	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Operating Fund				
Furniture and fixtures	\$ 6,359	\$ 4,218	\$ 2,141	\$ 2,676
Computer equipment	6,483	5,437	1,046	1,494
	12,842	9,655	3,187	4,170
Acquisition and Capital Fund				
Land - Alexander Hope-Smith Nature Reserve	145,000	-	145,000	145,000
Land - Bluebird Ranch	233,018	-	233,018	-
Land - Butler Property	9,552	-	9,552	9,552
Land - Carthew Bay Reserve	80,800	-	80,800	80,800
Land - Church Woods	750,000	-	750,000	750,000
Land - Elliott Woods	100,000	-	100,000	100,000
Land - Grant Wetlands	147,500	-	147,500	147,500
Land - Hewetson Property	77,000	-	77,000	77,000
Land - Jennett Woods	175,000	-	175,000	175,000
Land - McDarker Wetlands	16,752	-	16,752	16,752
Land - McIsaac Wetlands	20,000	-	20,000	20,000
Land - Roehl Reserve	23,105	-	23,105	23,105
Land - Thomas Agnew Reserve	45,000	-	45,000	-
Land - Waterthrush Woods	16,000	-	16,000	16,000
Land - Wolf Run Alvar	184,261	-	184,261	184,261
Land, building - Grant Woods	463,136	-	463,136	463,136
Easement - Agnew Property	30,000	-	30,000	30,000
Easement - Konda Property	1	-	1	1
Easement - Mack Williams	75,000	-	75,000	75,000
Easement - Scout Valley	1	-	1	1
Easement - Turnbull Property	49,500	-	49,500	49,500
Easement - Wilkins Property	22,500	-	22,500	22,500
	2,663,126	-	2,663,126	2,385,108
	\$ 2,675,968	\$ 9,655	\$ 2,666,313	\$ 2,389,278

The easements for the Konda Property and Scout Valley have been recognized at a nominal value of \$1 each. Valuations were not necessary to obtain these easements, and due to the cost of obtaining appraisals, fair market valuations were not completed and are not planned.

The Couchiching Conservancy
Notes to Financial Statements
October 31, 2011

5. Operating Funds

	<u>2011</u>	<u>2010</u>
Unrestricted		
Balance, beginning of year	\$ 44,085	\$ 33,983
Surplus for the year	36,940	14,348
Interfund transfers	(28,110)	(4,246)
	<u>52,915</u>	<u>44,085</u>
Invested in Capital Assets		
Balance, beginning of year	4,170	5,480
Deficit for the year	(983)	(1,310)
	<u>3,187</u>	<u>4,170</u>
Ironside Fund - Externally Restricted		
Balance, beginning of year	1,600	1,600
	<u>1,600</u>	<u>1,600</u>
President's Reserve Fund - Internally Restricted		
Balance, beginning of year	94,773	94,773
	<u>94,773</u>	<u>94,773</u>
	<u>\$ 152,475</u>	<u>\$ 144,628</u>

6. Acquisition and Capital Funds

	<u>2011</u>	<u>2010</u>
Invested in Capital Assets		
Balance, beginning of year	\$ 2,385,108	\$ 2,200,847
Property and easement acquisitions	278,018	184,261
	<u>2,663,126</u>	<u>2,385,108</u>
Acquisition Reserve Fund		
Balance, beginning of year	56,325	56,325
Deficit for the year	(13,942)	(4,246)
Interfund transfers	(8,558)	4,246
	<u>33,825</u>	<u>56,325</u>
	<u>\$ 2,696,951</u>	<u>\$ 2,441,433</u>

The Couchiching Conservancy
Notes to Financial Statements
October 31, 2011

7. Other Internally Restricted Funds

	<u>2011</u>	<u>2010</u>
Property Protection Reserve Fund		
Balance, beginning of year	\$ 164,709	\$ 164,709
Interfund transfers	36,668	-
	<u>201,377</u>	<u>164,709</u>
Carden Conservation Reserve Fund		
Balance, beginning of year	<u>25,000</u>	<u>25,000</u>
	<u>25,000</u>	<u>25,000</u>
Couchiching Conservancy Land Stewardship Endowment		
Balance, beginning of year	13,473	-
Contributions for the year	10,155	13,473
	<u>23,628</u>	<u>13,473</u>
	<u>\$ 250,005</u>	<u>\$ 203,182</u>

8. Budget Information

The budget figures presented for comparison purposes are unaudited. They have been reclassified to conform with the financial statement presentation.

9. Subsequent Event

Subsequent to year end, the organization signed a letter of intent to purchase approximately 118 acres of property known as the Starr property. The appraised value of this property is \$112,500. This purchase is to close September 28, 2012 and is to be funded by a combination of grants and donations.

The Couchiching Conservancy
Schedule 1 - Donations and Grant Revenue
For the Year Ended October 31, 2011

	Operating Fund	Acquisition and Capital Fund	Other Fund	October 31 2011	October 31 2010
Donations					
General	\$ 61,834	\$ 249,680	\$ -	\$ 311,514	\$ 206,631
In kind - general	3,251	-	-	3,251	664
In kind - membership	12,225	-	-	12,225	10,300
Membership	32,437	-	-	32,437	29,692
Property and easements	-	22,500	-	22,500	-
	\$ 109,747	\$ 272,180	\$ -	\$ 381,927	\$ 247,287
Grant Revenue					
Government of Canada	\$ 83,875	\$ -	\$ -	\$ 83,875	\$ 201,357
Province of Ontario	104,115	-	-	104,115	79,094
Other	177,310	(435)	-	176,875	309,633
	\$ 365,300	\$ (435)	\$ -	\$ 364,865	\$ 590,084