

The Bruce Trail Conservancy

Financial Statements

Year Ended June 30, 2012



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August 30, 2012

Independent Auditors' Report

To the Directors of The Bruce Trail Conservancy

We have audited the accompanying financial statements of The Bruce Trail Conservancy, which comprise the balance sheet as at June 30, 2012 and the statements of revenue and expenses and fund balance of the Land Conservation Fund, Land Acquisition Fund, Life Membership Fund, Land Stewardship Reserve Fund, and the Endowment Fund and the statement of cash flows and combined schedule of revenue and expenses and fund balances 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. Except as explained below, 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 qualified audit opinion.

Basis for qualified opinion

In common with many not-for-profit organizations, The Bruce Trail Conservancy derives revenue from donations and fundraising the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of The Bruce Trail Conservancy and we were not able to determine whether any adjustments might be necessary to revenues, excess (deficiency) of revenues over expenses and accumulated net assets.

Qualified opinion

In our opinion, except for the possible effects of the matter described in the basis for qualified opinion paragraph, the financial statements present fairly, in all material respects, the financial position of The Bruce Trail Conservancy as at June 30, 2012 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Pettinelli Mastroluisi LLP

Chartered Accountants
Licensed Public Accountants

Hamilton, Ontario

PETTINELLI MASTROLUISI LLP

CHARTERED ACCOUNTANTS

THE BRUCE TRAIL CONSERVANCY – HAMILTON, ONTARIO
FINANCIAL STATEMENTS – YEAR ENDED JUNE 30, 2012

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The Bruce Trail Conservancy

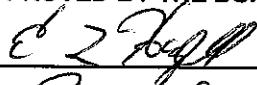
Balance Sheet

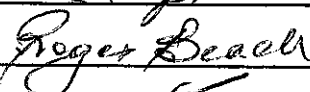
STATEMENT A

| | June 30 | |
|--|----------------------|---------------------|
| | 2012 | 2011 |
| Assets | | |
| Current assets | | |
| Cash | \$ 478,896 | \$ 594,643 |
| Accounts receivable | 62,734 | 34,913 |
| Inventory | 97,217 | 49,418 |
| Prepays and deposits | 44,689 | 31,674 |
| | <u>683,536</u> | <u>710,648</u> |
| Furniture, fixtures and equipment (Note 3) | 32,959 | 45,113 |
| Restricted assets - Endowment Fund (Note 4) | | |
| Cash | 39,430 | 13,170 |
| Marketable securities | 1,396,926 | 1,331,823 |
| | <u>1,436,356</u> | <u>1,344,993</u> |
| Restricted cash - Land Stewardship Reserve Fund (Note 5) | 273,363 | 102,192 |
| Restricted assets - Land Acquisition Fund | | |
| Cash | 72,572 | 24,674 |
| Land and other assets (Notes 6 and 7) | 9,392,133 | 7,733,743 |
| | <u>9,464,705</u> | <u>7,758,417</u> |
| Cash surrender value of life insurance (Note 8) | 123,943 | - |
| | <u>\$12,014,862</u> | <u>\$ 9,961,363</u> |
| Liabilities | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities | \$ 157,776 | \$ 116,485 |
| Deferred revenue - Grants | 22,045 | 23,526 |
| - Memberships (Note 9) | 50,763 | 62,620 |
| Mortgage payable (Note 10) | - | 90,000 |
| Loan payable (Note 11) | 477,667 | - |
| | <u>708,251</u> | <u>292,631</u> |
| Deferred revenue - Memberships (Note 9) | 21,342 | 24,263 |
| Fund Balances | | |
| Land Conservation Fund (Statement B) (Note 12) | 417,180 | 372,919 |
| Land Acquisition Fund (Statement C) | 8,988,038 | 7,668,417 |
| Endowment Fund (Statement D) | 1,436,356 | 1,344,993 |
| Life Membership Fund (Statement E) | 170,332 | 155,948 |
| Land Stewardship Reserve Fund (Statement F) | 273,363 | 102,192 |
| | <u>11,285,269</u> | <u>9,644,469</u> |
| | <u>\$ 12,014,862</u> | <u>\$ 9,961,363</u> |

Contingencies - see note 16

APPROVED BY THE BOARD:


 _____ Director


 _____ Director

The Bruce Trail Conservancy

Statement of Revenue and Expenses and Fund Balance

Land Conservation Fund

STATEMENT B

| | Year ended June 30 | |
|--|--------------------|-------------------|
| | 2012 | 2011 |
| Revenue | | |
| Donations - cash (Note 8) ✓ | \$ 555,110 | \$ 355,801 |
| Membership dues ✓ | 402,629 | 376,113 |
| Sponsorships ✓ | 68,200 | 116,855 |
| Bruce Trail Enterprises net earnings (Note 13) ✓ | 64,773 | 76,749 |
| Grants ✓ | 30,586 | 120,383 |
| Sundry income | 24,804 | 20,023 |
| Interest and investment income | 2,173 | 2,178 |
| | <u>1,148,275</u> | <u>1,068,102</u> |
| Expenses | | |
| Administrative salaries and benefits | 240,379 | 190,709 |
| Membership services | 168,073 | 130,623 |
| Land stewardship | 136,673 | 102,356 |
| Clubs' share of fees | 95,447 | 91,497 |
| Fundraising | 84,543 | 81,909 |
| Volunteer management | 72,353 | 46,581 |
| Other committee and meeting expenses | 57,319 | 48,859 |
| Public outreach and communication | 47,749 | 51,142 |
| Bruce Trail Magazine | 40,735 | 70,452 |
| Trail development and maintenance | 39,086 | 39,829 |
| Property taxes and land management | 34,327 | 6,300 |
| Club assistance | 30,138 | 46,137 |
| Bank and credit card service charges | 26,891 | 23,687 |
| Insurance | 24,142 | 21,919 |
| Life insurance (Note 8) | 24,057 | - |
| Computer and internet | 23,080 | 11,217 |
| Amortization | 13,109 | 11,504 |
| Office printing, supplies and postage | 12,349 | 13,583 |
| Professional fees | 8,698 | 9,312 |
| Annual general meeting | 7,908 | 7,376 |
| Equipment rental and maintenance | 7,236 | 10,709 |
| Rent, utilities and maintenance | 6,885 | 8,844 |
| Landowner relations | 2,711 | 472 |
| Ontario Trillium Fund program | - | 118,236 |
| Allocation of overhead costs | (99,874) | (97,448) |
| | <u>1,104,014</u> | <u>1,045,805</u> |
| Excess of revenue over expenses for the year | 44,261 | 22,297 |
| Fund balance at beginning of the year | <u>372,919</u> | <u>350,622</u> |
| Fund balance at end of the year (Note 12) | <u>\$ 417,180</u> | <u>\$ 372,919</u> |

The Bruce Trail Conservancy

Statement of Revenue and Expenses and Fund Balance

Land Acquisition Fund

STATEMENT C

| | Year ended June 30 | |
|--|---------------------|---------------------|
| | 2012 | 2011 |
| Revenue | | |
| Donations and bequests - cash ✓ | \$ 1,683,958 | \$ 1,607,369 |
| Donations - property ✓ | 390,000 | 273,472 |
| Grants ✓ | 25,022 | 8,768 |
| Interest income ✓ | 1,382 | - |
| | <u>2,100,362</u> | <u>1,889,609</u> |
| Expenses | | |
| Fundraising | 193,048 | 136,889 |
| Land purchasing costs | 133,537 | 44,671 |
| Allocation of overhead costs | 99,874 | 97,448 |
| Land securement | 72,341 | 129,883 |
| Marketing | 46,841 | - |
| Public outreach and communication | 41,512 | 1,031 |
| Amortization | 23,463 | 23,463 |
| Committee expenses | 835 | 222 |
| | <u>611,451</u> | <u>433,607</u> |
| Excess of revenue over expenses for the year | 1,488,911 | 1,456,002 |
| Fund balance at beginning of the year | <u>7,668,417</u> | <u>6,403,965</u> |
| | <u>9,157,328</u> | <u>7,859,967</u> |
| Property transfers to other agencies (Note 7) | - | (191,550) |
| Transfer to land stewardship reserve fund (Note 5) | <u>(169,290)</u> | <u>-</u> |
| | <u>(169,290)</u> | <u>(191,550)</u> |
| Fund balance at end of the year | <u>\$ 8,988,038</u> | <u>\$ 7,668,417</u> |
| Fund balance comprises: | | |
| Land and other assets (Note 6) | \$ 9,392,133 | \$ 7,733,743 |
| Cash and short-term investments | 72,572 | 24,674 |
| Deposits on land | 1,000 | - |
| Less: Mortgage payable (Note 10) | - | (90,000) |
| Less: Loan payable (Note 11) | <u>(477,667)</u> | <u>-</u> |
| | <u>\$ 8,988,038</u> | <u>\$ 7,668,417</u> |

The Bruce Trail Conservancy

Statement of Revenue and Expenses and Fund Balance

Endowment Fund

STATEMENT D

| | Year ended June 30 | |
|--|---------------------|---------------------|
| | 2012 | 2011 |
| Revenue | | |
| Interest and investment income | \$ 60,282 | \$ 44,913 |
| Expenses | | |
| Management fees | <u>13,430</u> | <u>11,349</u> |
| Excess of revenue over expenses for the year | 46,852 | 33,564 |
| Fund balance at beginning of the year | <u>1,344,993</u> | <u>1,214,438</u> |
| | 1,391,845 | 1,248,002 |
| Bequests and donations | 24,849 | 13,126 |
| Change in unrealized gains from investment portfolio | <u>19,662</u> | <u>83,865</u> |
| | <u>44,511</u> | <u>96,991</u> |
| Fund balance at end of the year (Note 4) | <u>\$ 1,436,356</u> | <u>\$ 1,344,993</u> |

The Bruce Trail Conservancy

Statement of Revenue and Expenses and Fund Balance

Life Membership Fund

STATEMENT E

| | Year ended June 30 | |
|--|--------------------|-------------------|
| | 2012 | 2011 |
| Revenue | | |
| Membership fees | \$ 15,466 | \$ 13,569 |
| Interest and investment income | <u>1,294</u> | <u>838</u> |
| | 16,760 | 14,407 |
| Expenses | | |
| Clubs' share of fees | <u>2,376</u> | <u>2,343</u> |
| Excess of revenue over expenses for the year | 14,384 | 12,064 |
| Fund balance at beginning of the year | <u>155,948</u> | <u>143,884</u> |
| Fund balance at end of the year | <u>\$ 170,332</u> | <u>\$ 155,948</u> |

The Bruce Trail Conservancy

Statement of Revenue and Expenses and Fund Balance

Land Stewardship Reserve Fund

STATEMENT F

| | Year ended June 30 | |
|--|--------------------|-------------------|
| | 2012 | 2011 |
| Revenue | | |
| Interest and investment income | \$ 1,881 | \$ - |
| Bequests and donations | - | 102,192 |
| | <u>1,881</u> | <u>102,192</u> |
| Expenses | <u>-</u> | <u>-</u> |
| Excess of revenue over expenses for the year | 1,881 | 102,192 |
| Fund balance at beginning of the year | <u>102,192</u> | <u>-</u> |
| | 104,073 | 102,192 |
| Transfer from land acquisition fund (Note 5) | <u>169,290</u> | <u>-</u> |
| Fund balance at end of the year (Note 5) | <u>\$ 273,363</u> | <u>\$ 102,192</u> |

The Bruce Trail Conservancy

Statement of Cash Flows

STATEMENT G

| | Year ended June 30 | |
|---|---------------------|---------------------|
| | 2012 | 2011 |
| Operating activities | | |
| Excess of revenue over expenses for the year | | |
| Land Conservation Fund (Statement B) | \$ 44,261 | \$ 22,297 |
| Land Acquisition Fund (Statement C) | 1,488,911 | 1,456,002 |
| Endowment Fund (Statement D) | 46,852 | 33,564 |
| Life Membership Fund (Statement E) | 14,384 | 12,064 |
| Land Stewardship Reserve Fund (Statement F) | 1,881 | 102,192 |
| Items not involving cash | | |
| Amortization | <u>36,572</u> | <u>34,967</u> |
| | 1,632,861 | 1,661,086 |
| Net change in non-cash working capital balances related to operations (Note 14) | <u>(60,682)</u> | <u>88,345</u> |
| Cash flow from operations | <u>1,572,179</u> | <u>1,749,431</u> |
| Financing activities | | |
| Bequests and donations - Endowment Fund | 24,849 | 13,126 |
| Change in unrealized gains from investments - Endowment Fund | 19,662 | 83,865 |
| Deferred revenue - memberships (long-term) | (2,921) | (4,533) |
| Mortgage repayment | (90,000) | (90,000) |
| Loan payable | <u>477,667</u> | <u>-</u> |
| | <u>429,257</u> | <u>2,458</u> |
| Investing activities | | |
| Purchase of furniture, fixtures and equipment | (955) | (11,442) |
| Proceeds from sale of excess land | 11,087 | - |
| Acquisition of land and buildings | (1,692,940) | (1,599,099) |
| Cash surrender value of life insurance | <u>(123,943)</u> | <u>-</u> |
| | <u>(1,806,751)</u> | <u>(1,610,541)</u> |
| Increase in cash and investments during the year | 194,685 | 141,348 |
| Cash and investments at beginning of the year | <u>2,066,502</u> | <u>1,925,154</u> |
| Cash and investments at end of the year | <u>\$ 2,261,187</u> | <u>\$ 2,066,502</u> |
| Cash and investments comprise | | |
| Cash and short-term deposits | \$ 478,896 | \$ 594,643 |
| Restricted cash and marketable securities - Endowment Fund (Note 4) | 1,436,356 | 1,344,993 |
| Restricted cash - Land Stewardship Reserve Fund (Note 5) | 273,363 | 102,192 |
| Restricted cash - Land Acquisition Fund | <u>72,572</u> | <u>24,674</u> |
| | <u>\$ 2,261,187</u> | <u>\$ 2,066,502</u> |

The Bruce Trail Conservancy

Notes to Financial Statements

June 30, 2012

STATEMENT H

1. Background

The Bruce Trail Conservancy is a charitable organization committed to establishing a conservation corridor containing a public footpath along the Niagara Escarpment, in order to protect its natural ecosystems and to promote environmentally responsible public access to this UNESCO World Biosphere Reserve. Prior to its name change on October 23, 2007, the Conservancy was known as The Bruce Trail Association.

The Bruce Trail Conservancy was incorporated on March 13, 1963 under Ontario Letters Patent and is exempt from income tax as a registered charity.

2. Significant accounting policies

The financial statements include the following significant policies:

Use of Estimates

The financial statements are prepared in accordance with Canadian generally accepted accounting principles (GAAP). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Due to the inherent uncertainty in making estimates, actual results could differ from these estimates.

Inventory

Inventory is valued at the lower of cost and net realizable value.

Furniture, fixtures, equipment and buildings

Furniture, fixtures, equipment and buildings are stated at cost. Amortization is based on the estimated useful lives of these assets and is computed using the following annual rates and methods:

| | |
|-----------------------------------|------------------------|
| Furniture, fixtures and equipment | 20% Declining balance |
| Computer equipment | 30% Declining balance |
| Sundry | 20% Declining balance |
| Buildings | 30 years Straight line |
| Pedestrian bridge | 40 years Straight line |

In the year of acquisition, furniture, fixtures, equipment and buildings are amortized at one-half of their normal rates. Land and easements are not amortized.

Expenditures for maintenance and repairs are charged to income.

Investments

Short-term deposits and marketable securities are recorded at their market value.

The Bruce Trail Conservancy

Notes to Financial Statements

June 30, 2012

Significant accounting policies (continued)

Financial instruments

The organization has elected to use the exemption provided by The Canadian Institute of Chartered Accountants ("CICA") permitting not-for-profit organizations not to apply the following sections of the CICA Handbook: Section 3862, "Financial Instruments – Disclosures" and Section 3863, "Financial Instruments – Presentation", which would otherwise have applied to the financial statements of the organization for the year ended June 30, 2012. The organization has applied the requirements of Section 3861, "Financial Instruments – Disclosures and Presentation".

Financial instruments are classified into one of these five categories: held-for trading, held-to-maturity, loans and receivables, available-for-sale financial assets or other liabilities. All financial instruments are initially measured in the statement of financial position at fair value except for certain related party transactions. Subsequent measurement and changes in fair value will depend on their initial classification as follows: loans and receivables, held-to-maturity investments and other liabilities are measured at amortized cost using the effective interest method; held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net income; available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the investment is no longer recognized or impaired, at which time the amounts would be recorded in net income.

Cash is designated as held for trading and is measured at fair value.

Accounts receivable have been classified as loans and receivables and are measured at amortized cost.

Short term investments are classified as held-to-maturity investments and are measured at market value.

Accounts payable and accrued liabilities have been classified as other financial liabilities and are measured at amortized cost.

Impairment

Financial assets measured at amortized cost are tested for impairment when there are indicators of possible impairment. When a significant adverse change has occurred during the period in the expected timing or amount of future cash flows from the financial asset or group of assets, a write-down is recognized in excess (deficiency) of revenue over expenses. When the events occurring after the impairment confirm that a reversal is necessary, the reversal is recognized in net income up to the amount of the previously recognized impairment.

Revenue recognition

The Conservancy 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. Endowment contributions are reported as a direct increase in the fund balance of the endowment fund when received.

The Bruce Trail Conservancy

Notes to Financial Statements

June 30, 2012

Significant accounting policies (continued)

Fund Description

Land Conservation Fund

The Land Conservation Fund is responsible for the management and stewardship of properties along the Bruce Trail. Revenue and expenses related to program delivery and administrative activities are also reported in the Land Conservation Fund.

Land Acquisition Fund

The Land Acquisition Fund supports the acquisition of new properties along the Bruce Trail.

Life Membership Fund

A Life Membership category exists for a fee of \$1,000 (2011 - \$1,000) whereby for each such membership, an amount of \$11 is returned annually to the home club of the life member.

Land Stewardship Reserve Fund

Created in 2011, the Land Stewardship Reserve Fund is an internally restricted fund to be used to fund future stewardship costs relating to the Conservancy's property holdings. Certain bequests and donations are allocated to this fund at the discretion of the Board of Directors.

Endowment Fund

The Endowment Fund was created in June 1995 to hold certain funds that were contributed to The Bruce Trail Conservancy as bequests or designated donations. Investment income earned by the fund may be distributed annually as determined by the Board of Directors.

Allocation of expenses

The organization allocates approximately 30% of its general and administrative support expenses incurred in the land conservation fund to the land acquisition fund.

Donated services

The work of the Conservancy is dependent on the voluntary service of many individuals. Since these services are not normally purchased by the Conservancy and because of the difficulty of determining their fair value, donated services are not recognized in these statements.

The Bruce Trail Conservancy

Notes to Financial Statements

June 30, 2012

3. Furniture, fixtures and equipment

| | June 30 | | | |
|-----------------------------------|-------------------|-----------------------------|---------------------------|---------------------------|
| | Cost | Accumulated amortization | 2012 Net book value | 2011 Net book value |
| Furniture, fixtures and equipment | \$ 31,094 | \$ 27,632 | \$ 3,462 | \$ 4,328 |
| Computer equipment | 156,515 | 128,100 | 28,415 | 39,432 |
| Sundry | 3,041 | 1,959 | 1,082 | 1,353 |
| | <u>\$ 190,650</u> | <u>\$ 157,691</u> | <u>\$ 32,959</u> | <u>\$ 45,113</u> |

4. Restricted assets – Endowment Fund

The Endowment Fund held cash and marketable securities with a market value of \$1,436,356 (\$1,344,993 in 2011). The use of the income derived from these funds is restricted to those purposes as determined periodically by the Board of Directors.

5. Restricted cash – Land Stewardship Reserve Fund

The Land Stewardship Reserve Fund held cash with a market value of \$273,363 (\$102,192 in 2011). The use of these funds is restricted to funding future stewardship costs relating to the Conservancy's property holdings. In fiscal 2012, the board of directors approved a motion to adopt a policy to transfer 10% of the cost of land acquired in a fiscal year from the land acquisition fund to the land stewardship reserve fund. In fiscal 2012, the amount of the transfer was \$169,290.

6. Restricted assets – Land Acquisition Fund

As at June 30, 2012, the Conservancy, through the Land Acquisition Fund, owned 57 properties (49 properties in 2011) and other capital assets as follows:

| | June 30 | | | |
|--------------------|---------------------|-----------------------------|---------------------------|---------------------------|
| | Cost | Accumulated amortization | 2012 Net book value | 2011 Net book value |
| Land and easements | \$ 8,720,192 | \$ - | \$ 8,720,192 | \$ 7,038,339 |
| Buildings | 420,000 | 84,000 | 336,000 | 350,000 |
| Pedestrian bridge | 378,525 | 42,584 | 335,941 | 345,404 |
| | <u>\$ 9,518,717</u> | <u>\$ 126,584</u> | <u>\$ 9,392,133</u> | <u>\$ 7,733,743</u> |

The Bruce Trail Conservancy

Notes to Financial Statements

June 30, 2012

7. Property transfers to outside agencies

Since 1998, the Conservancy has transferred ownership of some of its properties to outside agencies including the Ontario Heritage Trust (formerly the Ontario Heritage Foundation), Conservation Authorities and the Ministry of Natural Resources (Ontario Parks). In most cases, the Conservancy remains responsible for ongoing property maintenance and stewardship activities. Some properties currently registered in the name of the Conservancy may be transferred to appropriate agencies in the future. These property transfers, when completed, will reduce the recorded value of the Conservancy's property holdings.

8. Cash surrender value of life insurance

During the fiscal year the Conservancy received a \$148,000 donation by way of premiums paid on a life insurance policy to which the Conservancy is the policyholder. The difference of \$24,057 between the amount of premiums paid of \$148,000 and the policy's cash surrender value at June 30, 2012 of \$123,943 has been expensed as life insurance in the land conservation fund.

9. Deferred revenue – memberships

The Conservancy records one-third of three year membership dues as revenue in the year of receipt. The remaining two-thirds of these membership dues are deferred and recognized as membership revenue in the second and third years of the membership term.

10. Mortgage payable

The mortgage was repayable in annual installments of \$90,000 and was paid in full on May 30, 2012. The mortgage was discharged on June 29, 2012.

11. Loan payable

On December 15, 2011, the Conservancy signed a promissory note in the amount of \$467,500 bearing interest at the bank's prime lending rate plus 1%. Principal and interest are payable on the due date of December 15, 2012.

12. Land Conservation Fund – Board reserves

The Board of Directors has directed that an additional \$20,000 (\$20,000 in 2011) of the Land Conservation Fund's equity balance be allocated to a head office relocation reserve. The management information system reserve was removed in 2011 with the purchase and installation of a new management information system. The Board's cumulative reserves are as follows:

| | June 30 | |
|------------------------|-----------|-----------|
| | 2012 | 2011 |
| Head office relocation | \$ 89,737 | \$ 69,737 |

The Bruce Trail Conservancy

Notes to Financial Statements

June 30, 2012

13. Bruce Trail Enterprises

The Conservancy, through Bruce Trail Enterprises, purchases and resells guidebooks, calendars, clothing and other merchandise as part of its operations. Gross merchandise sales were \$132,436 in 2012 (\$149,454 in 2011) and net earnings after cost of sales and other expenses were \$64,773 in 2012 (\$76,749 in 2011).

14. Statement of cash flows

The net change in non-cash working capital balances represents the net change in accounts receivable, inventory, prepaids and deposits, accounts payable and accrued liabilities and the current portion of deferred revenue.

15. Financial instruments

Interest rate risk

The organization is exposed to interest rate risk on its investments. The organization does not use any hedging instruments to manage this risk.

The Organization is exposed to interest rate risk on its loan payable, which is variable based on the bank's prime rates. This exposure may have an effect on its earnings in future periods. The organization reduces its exposure to interest rate risk by regularly monitoring published bank prime interest rates which have been relatively stable over the period presented. The organization does not use derivative instruments to reduce its exposure to interest rate risk. In the opinion of management the interest rate risk exposure to the organization is low and is not material.

Credit risk

The organization's credit risk is primarily attributable to its accounts receivable. The organization manages this risk through proactive collection policies.

16. Contingencies

The Conservancy has been named as a co-defendant in a lawsuit that claims damages in the aggregate amount of \$3,500,000. It is the opinion of Management that no liability will result from this claim. As a result, no amount has been accrued in these financial statements. Furthermore, it is the opinion of Management that any liability that could result will be covered by its insurance carrier. Any expenses incurred to settle this action will be recorded when paid.

The Bruce Trail Conservancy

Notes to Financial Statements

June 30, 2012

17. Future changes to significant accounting policies

In December 2010, the Accounting Standards Board issued a comprehensive set of new Canadian accounting standards for not-for-profit organizations (ASNPO) effective for fiscal periods beginning on or after January 1, 2012. When the end of a not-for-profit organization's annual reporting period does not coincide with the end of the calendar year, the mandatory date for first-time adoption of ASNPO is effective for fiscal periods beginning on or after December 31, 2011. Early adoption is permitted. The organization is currently analyzing the effects of these changes on its financial statements.

18. Comparative amounts

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year fund balances.