

LAKE ONTARIO WATERKEEPER
FINANCIAL STATEMENTS
DECEMBER 31, 2014



INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Lake Ontario Waterkeeper

Report on the Financial Statements

We have audited the accompanying financial statements of Lake Ontario Waterkeeper which comprise the statement of financial position as at December 31, 2014, the statement of operations and change in net assets, and the statement of cash flows, for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian Accounting Standards for Not-for-profit Organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 qualified audit opinion.

Basis of Qualified Opinion

In common with many not-for-profit organizations, Lake Ontario Waterkeeper derives a portion of its revenues from the general public in the form of donations and fundraising the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of revenues from these sources was limited to accounting for the amounts recorded in the records of the organization and I was not able to determine whether any adjustments might be necessary to revenues, excess (deficit) of revenues over expenses, and net assets.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis of Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Lake Ontario Waterkeeper as at December 31, 2014, and its results of operations, change in net assets and cash flows for the year then ended, in accordance with Canadian Accounting Standards for Not-for-profit Organizations.

Chartered Professional Accountants
Licensed Public Accountants

April 6, 2015
Kitchener, ON

Cardy Winters & Simon LLP
Chartered Professional Accountants
Suite 103 - 630 Riverbend Drive, Kitchener, ON N2K 3S2
Tel (519) 744-4030 Fax (519) 579-7576 www.cwscpa.ca

LAKE ONTARIO WATERKEEPER

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2014

(With comparative figures as at December 31, 2013)

(The accompanying notes are an integral part of these financial statements)

ASSETS

	<u>2014</u>	<u>2013</u>
CURRENT		
Cash	142,067	159,526
Short-term investments (note 2)	344,652	340,534
Accounts receivable	10,363	28,276
Harmonized Sales Tax recoverable	26,274	23,933
Prepaid expenses	15,052	6,781
	<hr/> 538,408	<hr/> 559,050
CAPITAL ASSETS (note 3)	8,293,396	8,475,666
	<hr/> \$8,831,804	<hr/> \$9,034,716

LIABILITIES

CURRENT		
Bank line of credit (note 5)	262,000	114,000
Accounts payable	13,225	17,743
Deferred income (note 4)	36,695	48,717
	<hr/> 311,920	<hr/> 180,460

NET ASSETS

UNRESTRICTED	226,488	378,590
INVESTED IN CAPITAL ASSETS	8,293,396	8,475,666
	<hr/> 8,519,884	<hr/> 8,854,256
	<hr/> \$8,831,804	<hr/> \$9,034,716

LAKE ONTARIO WATERKEEPER
STATEMENT OF OPERATIONS AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2014

(With comparative figures for the year ended December 31, 2013)

(The accompanying notes are an integral part of these financial statements)

	<u>2014</u>	<u>2013</u>
REVENUES		
Donations and fundraising events	462,329	501,451
Grants - foundation and private	221,364	280,246
Grants - government	6,044	2,745
Interest, merchandise sales and miscellaneous	6,086	3,952
	<hr/> 695,823	<hr/> 788,394
EXPENSES		
Personnel	377,350	356,636
Programming and research	128,177	80,772
Facility and property expenses	122,752	116,582
Fundraising and events	110,633	87,290
Office and administration	71,247	61,146
Professional fees	18,432	13,855
Professional development and conferences	16,840	12,876
Boat expenses	2,494	3,645
	<hr/> 847,925	<hr/> 732,802
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES - OPERATIONS	(152,102)	55,592
Amortization of capital assets	182,270	94,585
	<hr/>	<hr/>
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES	(334,372)	(38,993)
NET ASSETS - beginning of the year	8,854,256	8,893,249
	<hr/>	<hr/>
NET ASSETS - end of the year	\$8,519,884	\$8,854,256

LAKE ONTARIO WATERKEEPER

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2014

(With comparative figures for the year ended December 31, 2013)

(The accompanying notes are an integral part of these financial statements)

	<u>2014</u>	<u>2013</u>
OPERATING ACTIVITIES		
Excess (deficit) of revenues over expenses	(334,372)	(38,993)
Items not requiring cash:		
Amortization of capital assets	182,270	94,585
	(152,102)	55,592
Change in non-cash current assets and liabilities:		
Short-term investments (note 2)	(4,118)	(174,528)
Accounts receivable	17,913	(225)
Harmonized Sales Tax recoverable	(2,341)	(5,372)
Inventory	0	537
Prepaid expenses	(8,271)	(1,481)
Accounts payable	(4,518)	(43,872)
Deferred income (note 4)	(12,022)	(94,509)
	(165,459)	(263,858)
INVESTING ACTIVITIES		
Purchase of capital assets	0	(1,768)
FINANCING ACTIVITIES	0	0
CASH FLOW FOR THE YEAR	(165,459)	(265,626)
CASH - beginning of the year	45,526	311,152
CASH - end of the year	(\$119,933)	\$45,526
REPRESENTED BY:		
Cash	142,067	159,526
Bank line of credit (note 5)	(262,000)	(114,000)
	(\$119,933)	\$45,526

LAKE ONTARIO WATERKEEPER

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2014

Lake Ontario Waterkeeper is incorporated without share capital under that Laws of Ontario and a registered charity, and as such is exempt from income tax. Its purpose is to restore water quality to Lake Ontario so that public rights to swim, drink and eat are returned, entrench these rights in communities around Lake Ontario through a legacy of education, empowerment and an expert network, and be a model for watershed protection in Canada and on the Great Lakes.

1. ACCOUNTING POLICIES

Basis of presentation - These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

Revenue recognition - The organization uses the deferral method of accounting for income whereby funds received or receivable for a designated purpose are reflected as deferred income on the statement of financial position, provided collection is reasonably assured and amounts can be reasonable estimated. When spent as designated, these amounts are removed from deferred income and reflected as income on the statement of operations and change in net assets.

The organization receives many hours of service from its many supporters. Because it is impractical to determine a fair value for these services, they are not reflected as contributions to the organization in these financial statements.

Capital assets - Capital assets are reflected at cost, which is amortized at the following rates:

Building	- 4% per annum on the declining balance
Computer hardware	- 30% per annum on the declining balance
Office furniture	- 20% per annum on the declining balance
Boat	- 15% per annum on the declining balance

Use of estimates - The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the period in which they become known. Actual results could differ from those estimates.

Financial instruments - A financial instrument is a contract that creates a financial asset for one entity and a financial liability or equity instrument of another. The entity initially measures its financial assets and liabilities at fair value, except for non-arm's length transactions, if any. The entity subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments in equity instruments with quoted fair values in an active market, if any, which are measured at fair value. Changes in fair value are recognized in net income. Financial assets measured at cost are tested for impairment when there are indications of impairment. The amount of the write-down is recognized in net income. Any previously recognized impairment loss may be reversed and recognized as income, to the extent of improvement. The organization recognizes its transaction costs in net income in the period incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

LAKE ONTARIO WATERKEEPER
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

2. FINANCIAL INSTRUMENTS

	<u>2014</u>	<u>2013</u>
Redeemable term deposit - 1.1%, due July 2015	127,240	125,731
Redeemable term deposit - 1.1%, due July 2015	174,627	172,556
Redeemable term deposit - 1.1%, due May 2016	42,785	42,247
Total short-term investments	344,652	340,534
Other financial assets carried at amortized cost	152,430	187,802
Total financial assets carried at amortized cost	\$497,082	\$528,336

The organization has no equity instruments measured at fair value, nor any equity instruments measured at cost less a reduction for impairment.

Unless indicated otherwise in these financial statements, as in the prior year, management believes the organization does not face any significant credit, currency, interest rate, liquidity or market risk with respect to its financial instruments.

3. CAPITAL ASSETS

	<u>Cost</u>	<u>2014</u> <u>Accumulated</u> <u>Amortization</u>	<u>Net Book</u> <u>Value</u>	<u>2013</u> <u>Net Book</u> <u>Value</u>
Land - New Brunswick	3,965,703	0	3,965,703	3,965,703
Building - New Brunswick	4,590,000	271,728	4,318,272	4,498,200
Computer hardware	14,707	12,928	1,779	2,541
Office furniture	10,974	7,821	3,153	3,941
Boat	29,000	24,511	4,489	5,281
	\$8,610,384	\$316,988	\$8,293,396	\$8,475,666

4. DEFERRED INCOME

	<u>Opening</u>	<u>Received</u>	<u>Spent</u>	<u>Closing</u>
Mercury project	15,866	0	0	15,866
Law Foundation of Ont.	0	29,000	20,271	8,729
Toronto sewage	5,585	0	5,585	0
Swim, drink, fish guide	27,266	5,000	27,266	5,000
Watermark 2015	0	7,100	0	7,100
	\$48,717	\$41,100	\$53,122	\$36,695

5. COMMITMENTS, OBLIGATIONS AND CONTINGENCIES

Bank line of credit - The organization has entered into a banking agreement with respect to a \$500,000 line of credit. The line of credit is secured by real estate held by the organization in St. Johns New Brunswick, requires payment of interest at Royal Bank prime + 1.75% monthly, and matures in April 2017.

Lease commitment - The organization has a lease commitment with respect to its office which requires minimum payments of \$2,600 monthly plus a prorata share of common costs, and which expires in May 2015.

6. COMPARATIVE FIGURES

Some comparative figures have been reclassified to comply with the current financial statement format.