

**Lake Superior Watershed Conservancy**  
**Consolidated Financial Statements**  
For the year ended December 31, 2021

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## Independent Auditor's Report

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### To the Members of Lake Superior Watershed Conservancy Qualified Opinion

We have audited the accompanying financial statements of Lake Superior Watershed Conservancy (the Organization), which comprise the statement of financial position as at December 31, 2021, and the statements of operations and changes in net assets, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization 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 Qualified Opinion

In common with many not-for-profit organizations, the Organization derives revenue from donations and fundraising activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Organization. Therefore, we were not able to determine whether any adjustments might be necessary to donations and fundraising revenue, excess of revenues over expenses, and cash flows from operations for the years ended December 31, 2021 and 2020, current assets as at December 31, 2021 and 2020, and net assets as at January 1 and December 31 for both the 2021 and 2020 years. Our audit opinion on the financial statements for the year ended December 31, 2020 was modified accordingly because of the possible effects of this limitation in scope.

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 Organization 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 qualified audit 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 the financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

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## Independent Auditor's Report (continued)

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### 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 Organization'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 Organization'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 Organization 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.



Chartered Professional Accountants, Licensed Public Accountants  
Sault Ste. Marie, Ontario  
September 27, 2022

**Lake Superior Watershed Conservancy  
Consolidated Statement of Financial Position**

December 31	2021	2020
<b>Assets</b>		
<b>Current</b>		
Cash	\$ 164,462	\$ 168,935
Accounts receivable	20,744	14,535
Prepaid expenses	2,631	26,115
	187,837	209,585
<b>Capital assets (Note 2)</b>	<b>796,112</b>	<b>734,463</b>
	<b>\$ 983,949</b>	<b>\$ 944,048</b>
<b>Liabilities and Net Assets</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 29,546	\$ 36,553
<b>Long-term debt (Note 5)</b>	<b>36,701</b>	<b>27,279</b>
	66,247	63,832
<b>Net assets</b>		
Unrestricted net assets	917,702	880,216
	<b>\$ 983,949</b>	<b>\$ 944,048</b>

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

## Lake Superior Watershed Conservancy Consolidated Statement of Operations and Changes in Net Assets

For the year ended December 31	2021	2020
<b>Revenue</b>		
Grants - Fednor	\$ 8,066	\$ 10,045
Grants - Hamilton	631	2,755
Grants - Great Lakes Action Fund	49,988	-
Grants - Trans Canada Trail	700	1,000
Grants - NOHFC	4,133	11,005
Grants - Tourism Northern Ontario	10,000	5,000
Grants - Summer Student	4,312	2,804
Grants - Sault Community Career Centre	-	5,796
Contributions	88,597	107,133
Government Subsidy	37,975	65,733
Interest	87	134
	<b>204,489</b>	<b>211,405</b>
<b>Expenses</b>		
Advertising and promotion	4,179	546
Amortization	19,242	15,699
Bank charges	1,308	362
Equipment	-	1,545
Fundraising	1,110	2,381
Insurance	5,109	4,765
Licenses and fees	3,942	3,552
Meetings and conferences	1,612	3,122
Merchandise	616	190
Office	4,816	4,977
Professional fees	20,564	22,358
Honoraria	1,200	-
Property taxes	207	660
Subcontracts	6,729	2,000
Supplies	593	1,871
Telephone	1,840	2,520
Training	409	3,731
Wages and benefits	92,184	119,653
	<b>165,660</b>	<b>189,932</b>
<b>Excess of revenue over expenses from operations</b>	<b>38,829</b>	<b>21,473</b>
<b>Unrealized exchange gain (loss)</b>	<b>(1,923)</b>	<b>(1,612)</b>
<b>Fair value adjustment for interest free loan</b>	<b>580</b>	<b>2,721</b>
<b>Excess of revenue over expenses</b>	<b>37,486</b>	<b>22,582</b>
<b>Unrestricted net assets, beginning of year</b>	<b>880,216</b>	<b>857,634</b>
<b>Unrestricted net assets, end of year</b>	<b>\$ 917,702</b>	<b>\$ 880,216</b>

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



## Lake Superior Watershed Conservancy Consolidated Statement of Cash Flows

<b>For the year ended December 31</b>	<b>2021</b>	<b>2020</b>
<b>Cash flows from operating activities</b>		
Excess of revenue over expenses from operations	\$ 37,486	\$ 22,582
Item not involving cash		
Amortization	<u>19,242</u>	<u>15,698</u>
	<b>56,728</b>	<b>38,280</b>
Changes in non-cash working capital balances		
Accounts receivable	(6,209)	12,818
Prepaid expenses	23,484	(24,781)
Accounts payable and accrued liabilities	<u>(7,007)</u>	<u>23,220</u>
	<u>66,996</u>	<u>49,537</u>
<b>Cash flows from investing activities</b>		
Purchase of capital assets	<u>(80,891)</u>	-
<b>Cash flows from financing activities</b>		
Net increase in long-term debt	19,422	37,279
Net decrease in long-term debt	<u>(10,000)</u>	<u>(10,000)</u>
	<u>9,422</u>	<u>27,279</u>
<b>Increase (decrease) in cash and equivalents during the year</b>	<b>(4,473)</b>	<b>76,816</b>
<b>Cash and cash equivalents, beginning of year</b>	<u><b>168,935</b></u>	<u><b>92,119</b></u>
<b>Cash and cash equivalents, end of year</b>	<u><b>\$ 164,462</b></u>	<u><b>\$ 168,935</b></u>

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

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# Lake Superior Watershed Conservancy

## Notes to Consolidated Financial Statements

December 31, 2021

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### 1. Significant accounting policies

**Nature of Operations** Lake Superior Watershed Conservancy is incorporated under the Canada Not-For-Profit Act without share capital and is a registered charity under the Income Tax Act. The organization is exempt from income taxation under section 149(1)(f) of the Income Tax Act. Its purpose is to conserve and protect the Lake Superior watershed.

**Basis of Accounting** The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

**Basis of Consolidation** The organization controls Lake Superior Watershed Conservancy Inc., since the organization appoints and shares a Board of Directors with Lake Superior Watershed Conservancy Inc. Lake Superior Watershed Conservancy Inc. was established to raise funds for the use of the organization for its charitable activities in the United States. Lake Superior Watershed Conservancy Inc. is incorporated in the State of Michigan and is classified as a Public Charity in the US Internal Revenue Code.

Lake Superior Watershed Conservancy Inc. has been consolidated in the organization's financial statements.

**Revenue Recognition** The organization 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.

**Capital Assets** Capital assets are recorded at cost. Amortization, based on the estimated useful life of the asset, using the straight line basis, is as follows:

Equipment - 5 years

**Financial Instruments** Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, they are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired.

**Foreign Currency Translation** Foreign currency accounts are translated to Canadian dollars as follows:

At the year end date, revenues and expenses are translated into Canadian dollars by the use of the average exchange rate for the year. At the year end date, monetary assets and liabilities are translated into Canadian dollars by using the exchange rate in effect at that date. The resulting net foreign exchange gain or loss is included in income in the current period.

**Contributed Services** A number of organizations and individuals donate materials to the organization and a number of volunteers contribute a significant amount of hours to assist the organization in carrying out its activities. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

# Lake Superior Watershed Conservancy

## Notes to Consolidated Financial Statements

December 31, 2021

### 1. Significant accounting policies (continued)

**Use of Estimates** The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

### 2. Capital assets

	2021		2020	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 678,700	\$ -	\$ 678,700	\$ -
Equipment	83,473	38,863	83,473	27,710
Dock	33,763	3,376	-	-
Boardwalk	47,128	4,713	-	-
	<u>\$ 843,064</u>	<u>\$ 46,952</u>	<u>\$ 762,173</u>	<u>\$ 27,710</u>
Net book value		<u>\$ 796,112</u>		<u>\$ 734,463</u>

During 2017, land with a fair value of \$586,200 was donated to the organization.

### 3. Financial instrument risk

The organization's management monitors, evaluates and manages the principal risks assumed with financial instruments on a daily basis. The risks that arise from transacting financial instruments include liquidity risk and currency risk.

#### *Liquidity risk*

Liquidity risk arises from the organization's management of accounts payable and accrued liabilities. It is the risk that the organization will encounter difficulty in meeting its financial obligations as they fall due.

#### *Currency risk*

Currency risk arises from the organization's financial instruments denominated in U.S. dollars. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Canadian dollar equivalent of these balances are:

Bank	\$ 147,540
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## Lake Superior Watershed Conservancy Notes to Consolidated Financial Statements

**December 31, 2021**

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#### 4. Impact of COVID-19

On March 11, 2020 the World Health Organization announced that the COVID-19 virus was a pandemic. Since then, the impact of this global pandemic has been felt throughout the world, including Canada, as economic activities have been disrupted. The organization had their operations disrupted but continued to remain opened during the year.

The pandemic is not expected to have a significant long term impact on the organization.

During the year, the organization received government assistance under the Canada Emergency Wage Subsidy program (CEWS), for a total amount of \$27,975. The organization also received a an additional \$20,000 Canada Emergency Business Account (CEBA) loan to finance qualifying non-deferrable expenses during COVID. The loan is non-interest bearing with no scheduled payments until December 31, 2023. If \$10,000 of the loan has been repaid by that date, the remaining \$10,000 will be forgiven. If the \$40,000 in loan payments have not been made by December 31, 2023, the full outstanding balance will be converted to a 5% interest bearing loan to be repaid in monthly installments over a three year period ending December 31, 2025. The \$10,000 forgivable portion has been recognized in 2021.

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#### 5. Long term debt

	<u>2021</u>	<u>2020</u>
Canada Emergency Business Account (CEBA) loan, interest free, no scheduled payments until December 31, 2023, further terms as described in Note 4	<b>\$ 36,701</b>	<b>\$ 27,279</b>