

Lake Superior Watershed Conservancy
Consolidated Financial Statements
For the year ended December 31, 2023

Contents

Independent Auditor's Report	2
Financial Statements	
Consolidated Statement of Financial Position	4
Consolidated Statement of Operations and Changes in Net Assets	5
Consolidated Statement of Cash Flows	6
Notes to Consolidated Financial Statements	7



Tel: (705) 945-0990
Fax: +(705) 942-7979

www.bdo.ca

BDO Canada LLP
747 Queen Street East
P.O. Box 1109
Sault Ste. Marie, Ontario
P6A 5N7

Independent Auditor's Report

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, 2023, 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, 2023, 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 contributions, excess (deficiency) of revenues over expenses, and cash flows from operations for the years ended December 31, 2023 and 2022, current assets as at December 31, 2023 and 2022, and net assets as at January 1 and December 31 for both the 2023 and 2022 years. Our audit opinion on the financial statements for the year ended December 31, 2022 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.

Independent Auditor's Report (continued)

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.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants
Sault Ste. Marie, Ontario
June 17, 2024

Lake Superior Watershed Conservancy Consolidated Statement of Financial Position

December 31	2023	2022
Assets		
Current		
Cash	\$ 140,020	\$ 136,438
Accounts receivable (Note 2)	8,042	3,095
Prepaid expenses	2,759	2,543
	150,821	142,076
Capital assets (Note 3)	757,678	772,629
	\$ 908,499	\$ 914,705
Liabilities and Net Assets		
Current		
Accounts payable and accrued liabilities	\$ 11,563	\$ 14,187
Deferred revenue (Note 4)	75,692	-
	87,255	14,187
Long-term debt (Note 5)	-	38,350
	87,255	52,537
Net assets		
Unrestricted net assets	821,244	862,168
	\$ 908,499	\$ 914,705

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	2023	2022
Revenue		
Grants - Hamilton	\$ -	\$ 239
Grants - Metis Nation of Ontario	62,971	-
Grants - New Horizons Grant for Seniors	15,303	-
Grants - Trans Canada Trail	-	6,300
Grants - Investment Readiness	25,000	-
Grants - Algoma Community Foundation Recovery Fund	9,978	-
Contributions	116,645	89,512
Government wage subsidy	-	14,776
Interest	178	87
	<u>230,075</u>	<u>110,914</u>
Expenses		
Advertising and promotion	23,519	2,743
Amortization	18,306	23,482
Bank charges	1,554	716
Consulting fees	34,572	5,800
Equipment	-	3,350
Fundraising	2,858	1,193
Insurance	4,949	6,035
Licenses and fees	5,257	3,985
Meetings and conferences	7,703	3,247
Merchandise	-	624
Office	4,798	3,886
Professional fees	35,745	22,850
Honoraria	2,150	230
Property taxes	287	207
Research and development	10	-
Subcontracts and project oversight	7,943	-
Supplies	554	681
Telephone	2,900	2,342
Training	6,140	774
Wages and benefits	111,233	85,953
	<u>270,478</u>	<u>168,098</u>
Deficiency of revenue over expenses from operations	(40,403)	(57,184)
Unrealized exchange gain	1,129	3,298
Fair value adjustment for interest free loan	(1,650)	(1,648)
	<u>(40,924)</u>	<u>(55,534)</u>
Deficiency of revenue over expenses	(40,924)	(55,534)
Unrestricted net assets, beginning of year	862,168	917,702
	<u>862,168</u>	<u>917,702</u>
Unrestricted net assets, end of year	\$ 821,244	\$ 862,168

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

Lake Superior Watershed Conservancy Consolidated Statement of Cash Flows

For the year ended December 31	2023	2022
Cash flows from operating activities		
Deficiency of revenue over expenses from operations	\$ (40,924)	\$ (55,534)
Item not involving cash		
Amortization	<u>18,306</u>	23,482
	(22,618)	(32,052)
Changes in non-cash working capital balances		
Accounts receivable	(4,947)	17,649
Prepaid expenses	(216)	88
Accounts payable and accrued liabilities	(2,624)	(15,359)
Deferred revenue	<u>75,692</u>	-
	45,287	(29,674)
Cash flows from investing activities		
Purchase of capital assets	(3,355)	-
Cash flows from financing activities		
Net increase in long-term debt	<u>(38,350)</u>	1,650
Increase (decrease) in cash and equivalents during the year	3,582	(28,024)
Cash and cash equivalents, beginning of year	<u>136,438</u>	164,462
Cash and cash equivalents, end of year	\$ 140,020	\$ 136,438

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

Lake Superior Watershed Conservancy

Notes to Consolidated Financial Statements

December 31, 2023

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 less accumulated amortization. Amortization, based on the estimated useful life of the asset, using the diminishing line basis, is as follows:

Boardwalk	20%
Dock	20%
Equipment	20%

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.

Lake Superior Watershed Conservancy

Notes to Consolidated Financial Statements

December 31, 2023

1. Significant accounting policies (continued)

Contributed Services 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.

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. Accounts receivable

	2023	2022
Trade	\$ 750	\$ -
Government receivables	7,292	3,095
	\$ 8,042	\$ 3,095

3. Capital assets

	2023		2022	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 678,700	\$ -	\$ 678,700	\$ -
Equipment	84,020	51,635	83,473	47,785
Dock	33,763	14,316	33,763	9,454
Boardwalk	47,128	19,982	47,128	13,196
	\$ 843,611	\$ 85,933	\$ 843,064	\$ 70,435
Net book value		\$ 757,678		\$ 772,629

Lake Superior Watershed Conservancy

Notes to Consolidated Financial Statements

December 31, 2023

4. Deferred revenue

	2023	2022
Metis Nation of Ontario	\$ 37,029	\$ -
New Horizons Grant	9,697	-
Land Trust Alliance	10,066	-
Community Foundations	15,022	-
Freshwater Futures	3,878	-
	\$ 75,692	\$ -

5. Long term debt

	2023	2022
Canada Emergency Business Account (CEBA) loan, repaid during the year	\$ -	\$ 38,350
	\$ -	\$ 38,350

6. 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	\$	127,128
------	----	---------