

**ALBERTA CONSERVATION
ASSOCIATION**

**Financial Statements
Year Ended March 31, 2012**

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ALBERTA CONSERVATION ASSOCIATION

Year ended March 31, 2012

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INDEPENDENT AUDITOR'S REPORT

June 7, 2012
Edmonton, Alberta

To the Members of Alberta Conservation Association

We have audited the accompanying financial statements of Alberta Conservation Association, which comprise the statement of financial position as at March 31, 2012, and the statements of operations, changes in net assets and 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 qualified audit opinion.

Basis for Qualified Opinion

The Association is recording its investment in a subsidiary company at cost. Under Canadian generally accepted accounting principles, profit-oriented enterprises controlled by not for profit organizations must be either consolidated or accounted for using the equity method. As the subsidiary was dormant during the year, the effect of this departure from Canadian generally accepted accounting principles is not considered material to the financial statements.

In common with many not-for-profit organizations, the Association derives some of its revenue from partner contributions and donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amount recorded in the records of the Association and we were not able to determine whether any adjustments might be necessary to partner contributions, excess of revenue over expenses, current assets, deferred contributions and net assets.

Qualified Opinion

In our opinion, except for the possible effect of the matters in the Basis of Qualified Opinion paragraph above, these financial statements present fairly, in all material respects, the financial position of the Alberta Conservation Association as at March 31, 2012, and the results of its operations and its cash flow for the year then ended in accordance with Canadian generally accepted accounting principles.


Kingston Ross Pasnak LLP
Chartered Accountants

Statement of Operations

ALBERTA CONSERVATION ASSOCIATION

Year ended March 31, 2012

	2012	2011
REVENUES		
Fees and assessments	\$ 10,377,407	\$ 10,352,775
Partner contributions	1,282,576	2,585,367
Miscellaneous	259,099	805,355
Investment income	224,551	196,314
Donations	194,634	300,058
Creative sentencing	-	940,000
	12,338,267	15,179,869
EXPENDITURES		
Salaries and benefits	6,308,275	6,565,939
Grants	1,607,613	2,834,282
Contracted services	1,571,861	1,101,185
Advertising	713,659	392,184
Rentals	613,711	953,806
Materials and supplies	556,644	776,642
Amortization	455,312	649,686
Travel	381,743	360,860
Fuel and lubricants	227,130	192,080
Repairs and maintenance	224,224	233,560
Telephone and communications	164,746	148,398
Office	141,137	225,835
Insurance	139,191	134,065
Landowner agreements	132,307	105,333
Bank charges and interest	116,829	92,999
Freight and postage	80,094	80,442
Utilities	54,172	46,762
Training and membership	41,845	38,489
Fees, licences and permits	40,934	68,953
Hosting and conferences	31,534	15,839
Bad debts	1,195	-
	13,604,156	15,017,339
(DEFICIENCY) EXCESS OF REVENUES OVER EXPENDITURES FROM OPERATIONS	(1,265,889)	162,530
OTHER REVENUES (EXPENSES)		
Gain (loss) on sale of investments	58,683	(34,365)
Gain (loss) on disposal of property, plant and equipment	6,787	(20,936)
Unrealized (loss) gain on investments	(119,527)	493,973
	(54,057)	438,672
(DEFICIENCY) EXCESS OF REVENUES OVER EXPENDITURES	\$ (1,319,946)	\$ 601,202

Statement of Changes in Net Assets

ALBERTA CONSERVATION ASSOCIATION

Year ended March 31, 2012

	Invested in Property, Plant and Equipment	Internally Restricted	Unrestricted	2012 Total	2011 Total
Balance, beginning of year	\$ 15,015,336	\$ 649,046	\$ 528,777	\$ 16,193,159	\$ 15,360,204
(Deficiency) excess of revenues over expenditures	(448,525)	-	(871,421)	(1,319,946)	601,202
Transfers (Note 10)	-	107,993	(107,993)	-	-
Proceeds on disposal of capital assets	(27,718)	-	27,718	-	-
Purchase of property, plant and equipment	204,584	-	(204,584)	-	-
Donations and grants restricted for land acquisitions	2,230,025	-	-	2,230,025	231,753
Balance, end of year	\$ 16,973,702	\$ 757,039	\$ (627,503)	\$ 17,103,238	\$ 16,193,159

Statement of Financial Position

ALBERTA CONSERVATION ASSOCIATION

March 31, 2012

ASSETS

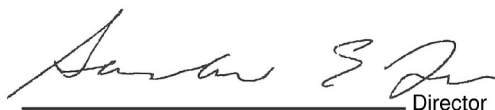
	2012	2011
CURRENT ASSETS		
Accounts receivable	\$ 394,246	\$ 695,034
Inventory	7,779	9,089
Goods and Services Tax receivable	59,447	89,419
Prepaid expenses	430,195	74,699
	891,667	868,241
LONG-TERM INVESTMENTS (Note 3)	3,898,952	5,694,715
INVESTMENT IN SUBSIDIARY (Note 4)	1,503,676	-
PROPERTY, PLANT AND EQUIPMENT (Note 5)	16,973,702	15,015,336
	<u>\$ 23,267,997</u>	<u>\$ 21,578,292</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Bank indebtedness (Note 6)	\$ 1,007,145	\$ 617,488
Accounts payable and accrued liabilities	1,870,199	2,082,340
Deferred contributions (Note 7)	1,826,807	1,185,335
Deposits	28,895	4,765
Demand non-revolving loan (Note 8)	1,431,713	1,495,205
	6,164,759	5,385,133
COMMITMENTS (Note 9)		
NET ASSETS		
Invested in property, plant and equipment	16,973,702	15,015,336
Internally restricted (Note 10)	757,039	649,046
Unrestricted	(627,503)	528,777
	17,103,238	16,193,159
	<u>\$ 23,267,997</u>	<u>\$ 21,578,292</u>

APPROVED BY THE BOARD

 Director

 Director

Statement of Cash Flow

ALBERTA CONSERVATION ASSOCIATION

Year ended March 31, 2012

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts	\$ 12,437,689	\$ 15,159,245
Cash paid to suppliers	(7,625,169)	(8,069,685)
Cash paid to employees	(5,457,775)	(5,691,157)
Investment income received	224,551	196,314
	(420,704)	1,594,717
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(2,434,607)	(2,966,111)
Proceeds on disposal of property, plant and equipment	27,718	19,965
Purchase of long-term investments	(803,411)	(1,074,414)
Proceeds on sale of long-term investments	3,304,839	2,139,391
	94,539	(1,881,169)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of demand loan	(63,492)	(215,722)
NET DECREASE IN CASH	(389,657)	(502,174)
BANK INDEBTEDNESS, BEGINNING OF YEAR	(617,488)	(115,314)
BANK INDEBTEDNESS, END OF YEAR	\$ (1,007,145)	\$ (617,488)

ALBERTA CONSERVATION ASSOCIATION

Year ended March 31, 2012

Note 1

Significant Accounting
Policies

Significant accounting policies observed in the preparation of the financial statements are summarized below. These policies are in accordance with Canadian generally accepted accounting principles, with the exception of the policy for the investment in subsidiary.

General

Alberta Conservation Association (the "Association") is incorporated under the Alberta Societies Act as a not-for-profit organization. Effective April 1, 1998, the Association was registered as a charitable organization under Section 149(1)(f) of The Income Tax Act (Canada). Its mission is to work together with Albertans to conserve, protect and enhance the province's natural resources. The Association is a non-profit organization and accordingly is exempt from payment of income taxes.

Revenue Recognition

The Association follows the deferral method of accounting for contributions. Restricted contributions from member organizations and donors are recognized as revenue in the year in which the related expenses are incurred. Contributions restricted for the purchase of land are recorded as direct increases in net assets invested in property, plant and equipment when received. Unrestricted contributions from member organizations and donors, fee and assessment revenues, investment revenues and miscellaneous revenue are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Donations and creative sentencing revenues are recognized when received.

Inventory

Inventory is valued at the lower of purchased cost and net realizable value with the cost being determined on a first-in, first-out basis.

ALBERTA CONSERVATION ASSOCIATION

Year ended March 31, 2012

Note 1

Significant Accounting
Policies (Continued)

Property, Plant and Equipment

Property, plant and equipment are recorded at cost net of accumulated amortization. The Association provides amortization on its property, plant and equipment using the following methods and annual rates:

	Method	Rate
Building	Diminishing balance	4%
Leasehold improvements	Straight-line	six years
Automotive	Diminishing balance	30%
Other equipment	Diminishing balance	20%
Computer hardware	Diminishing balance	33%
Computer software	Diminishing balance	100%
Office equipment	Diminishing balance	20%
Boats	Diminishing balance	20%
Communication equipment	Diminishing balance	33%
Trailers	Diminishing balance	20%

Leases

Leases are classified as classified as capital or operating leases. A lease that transfers substantially all of the benefits and risks incident to the ownership of property is classified as a capital lease. All other leases are accounted for as operating leases, wherein rental payments are expensed as incurred.

Long-Term Investments

Long-term investments are classified as held for trading and are recorded at market value. The Association's long-term investments consist of cash and cash equivalents, government and corporate bonds and domestic and foreign equities and trust units. The portfolio is held primarily for trading purposes. The portfolio is managed by a third party investment manager and is subject to an investment policy set by the Board with the main objectives of growth and preservation of capital.

Investment in Subsidiary

The Association is using the cost method to record its investment in a subsidiary company.

Statement of Cash Flow

The Association is using the direct method in its presentation of the Statement of Cash Flow.

ALBERTA CONSERVATION ASSOCIATION

Year ended March 31, 2012

Note 1

Significant Accounting
Policies (Continued)

Financial Instruments

Bank indebtedness is classified as held for trading and is measured at fair value. Accounts receivable are classified as loans and receivables and are measured at amortized cost. Accounts payable and accrued liabilities and the demand loan are classified as other financial liabilities and are measured at amortized cost.

The Association has chosen to continue to apply Section 3861, Financial Instruments - Disclosure and Presentation, instead of adopting Section 3862, Financial Instruments - Disclosure and Section 3863, Financial Instruments - Presentation.

Measurement Uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the period. Such estimates include providing for amortization of property, plant and equipment and accounts receivable valuation. These estimates are reviewed periodically and, as adjustments become necessary they are reported in earnings in the periods in which they become known.

Note 2

Future Accounting
Standards

The Canadian Institute of Chartered Accountants (CICA) has issued several new accounting standards which will affect the Association's financial statements in subsequent fiscal years.

Developments in Not-for-Profit Accounting Standards

In December 2010, the Accounting Standards Board (AcSB) issued Part III of the CICA Handbook entitled "Accounting Standards for Not-for-Profit Organizations." These new accounting standards are available for early adoption and carry forward the Section 4400 series and relevant material relating specifically to not-for-profit organizations in other sections of the current Handbook, including Section 1000, 1100, 1400 and 3031, largely without change. For years beginning on or after January 1, 2012, not-for-profit enterprises must choose to adopt either the Accounting Standards for Not-for-Profit Organizations or International Financial Reporting Standards. Management has decided to apply the new "Accounting Standards for Not-for-Profit Organizations" for the Society's fiscal year ended March 31, 2013.

Notes to the Financial Statements

ALBERTA CONSERVATION ASSOCIATION

Year ended March 31, 2012

Note 3

Long-Term Investments

	2012	2011
Canadian Fixed Income (Bissett Bond Fund)	\$ 1,444,778	\$ 2,537,802
Canadian equities	837,938	1,601,172
US equities	379,356	627,332
International equities	398,298	642,802
Cash and cash equivalents	838,582	285,607
	<u>\$ 3,898,952</u>	<u>\$ 5,694,715</u>

Bonds have varying maturities between April 1, 2012 and March 31, 2023 and bear interest at various rates between 1.0% to 11.0%.

Note 4

Investment in Subsidiary

During the year the Association purchased 100% of the shares of Karvonen Films Ltd. a for profit company. Management has decided to account for its investment in the subsidiary company using the cost method.

Notes to the Financial Statements

ALBERTA CONSERVATION ASSOCIATION

Year ended March 31, 2012

Note 5

Property, Plant and Equipment

			2012	2011
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$14,552,976	\$ -	\$14,552,976	\$12,290,658
Building	1,679,350	290,465	1,388,885	1,446,755
Leasehold improvements	775,821	628,558	147,263	271,026
Automotive	1,494,399	1,274,182	220,217	295,578
Other equipment	617,435	353,158	264,277	298,203
Computer hardware	478,077	340,908	137,169	152,453
Computer software	384,946	384,092	854	2,652
Office equipment	203,232	114,840	88,392	104,297
Boats	227,629	145,177	82,452	56,634
Communication equipment	154,075	124,850	29,225	43,838
Trailers	228,988	166,996	61,992	53,242
	<u>\$20,796,928</u>	<u>\$ 3,823,226</u>	<u>\$16,973,702</u>	<u>\$15,015,336</u>

Amortization provided for in the current year totaled \$455,312; (2011 - \$649,686).

Notes to the Financial Statements

ALBERTA CONSERVATION ASSOCIATION

Year ended March 31, 2012

Note 6

Bank Indebtedness

	2012	2011
Cash in bank	\$ 1,185,053	\$ 497,622
Cheques in excess of bank balance	(82,203)	(35,110)
Line of credit	(2,109,995)	(1,080,000)
	<u>\$(1,007,145)</u>	<u>\$ (617,488)</u>

At March 31, 2012 the Association had available a Royal Bank of Canada demand operating credit facility with an authorized limit of \$1,500,000. The facility is due on demand and bears interest at bank prime. As collateral for the credit facility, the Association has provided a General Security Agreement representing a first charge on all of the Association's assets and undertakings. As at the end of the year, the Association had drawn \$360,000 on the available credit facility.

At March 31, 2012 the Association had available a Canadian Western Bank demand operating credit facility with an authorized limit of \$2,000,000. The facility is due on demand and bears interest at bank prime. As collateral for the credit facility, the Association has provided an Overdraft Lending Agreement with a mortgage on building assets as security on the loan. As at the end of the year, the Association had drawn \$1,749,995 on the available credit facility.

Note 7

Deferred Contributions

Deferred contributions represent unspent resources from external sources such as government, not-for-profit organizations and industry that were restricted by the contributor for carrying out specific conservation projects. These funds have been carried forward to spend on future similar projects, at the discretion of the contributor.

	2012	2011
Deferred contributions, beginning of year	\$ 1,185,335	\$ 1,604,049
Add: contributions received	1,205,216	895,094
Less: amounts recognized as revenue	(563,744)	(1,313,808)
Deferred contributions, end of year	<u>\$ 1,826,807</u>	<u>\$ 1,185,335</u>

Notes to the Financial Statements

ALBERTA CONSERVATION ASSOCIATION

Year ended March 31, 2012

Note 8

Demand Non-Revolving Loan

Royal Bank of Canada demand non-revolving loan bearing interest of 3.45% per annum, repayable in monthly blended payment of \$9,495. The loan is secured by the same General Security Agreement as the bank indebtedness (Note 6).

Note 9

Commitments

a) The Association has lease commitments on office equipment, with annual payments of \$2,808

b) The Association is committed to various leases for its office premises. The total lease obligations as at year end are as follows:

2013	\$ <u>264,448</u>
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c) The Association is committed to various leases for vehicles. The total lease obligation per year is \$77,271, and expires in 2016.

Notes to the Financial Statements

ALBERTA CONSERVATION ASSOCIATION

Year ended March 31, 2012

Note 10

Internally Restricted Funds

	2012	2011
Habitat Securement Fund	\$ 507,039	\$ 399,046
Board Special Projects Fund	250,000	250,000
	<u>\$ 757,039</u>	<u>\$ 649,046</u>

The Habitat Securement Fund is intended to provide a source of capital to further the Alberta Conservation Habitat Securement Strategic Plan and to provide capital for the purchase of land to preserve and develop habitat. This Fund was created in 2002 for an amount of \$500,000. Expenditures from the Fund to March 31, 2012 were \$400,000. Transfers to the Fund equivalent to 30% of the previous fiscal year's interest income are made annually in addition to any other discretionary transfers authorized by the Board of Directors. Total transfers of \$107,993 were made to the Fund in the year.

The Board Special Projects Fund was created to allow the Board of Directors latitude in endorsing new and innovative ideas. This Fund could be used for such initiatives as funding pilot projects, and as a contingency for unplanned events that may be of value but were not known at the time of developing operational budgets. The Board grants allocations from this Fund on the basis of approved Board motion. This Fund was created in 2002 for an amount of \$250,000. Any excess Fund balances over and above the \$250,000 funding cap are transferred to the Habitat Securement Fund. There were no transfers made to or from the fund during the year.

ALBERTA CONSERVATION ASSOCIATION

Year ended March 31, 2012

Note 11

Related Party
Transactions

The following member organizations are entitled to appoint representatives to the Board of Directors the Association:

Organization	Number of Appointees
Alberta Fish and Game Association	one
Alberta Hunter Education Instructors Association	one
Alberta Professional Outfitters Society	one
Alberta Sustainable Resource Development	one
Alberta Trappers Association	one
Federation of Alberta Naturalists	one
Pheasants Forever Alberta Council	one
Treaty 8 First Nations of Alberta	one
Trout Unlimited Canada	one
Wild Sheep Foundation Alberta	one
Northern Board Liaison	one
North East Public At Large	one
North West Public At Large	one
Central Public At Large	one
Southern Public At Large	one
Business Representative	one
Academic Representative	one
ACA/ U of A Fisheries and Wildlife Chair	one

The Minister of Sustainable Resource Development continues to appoint a director, and these ten directors elect six public at large figures. The Association acts as an intermediary for the disbursement of funds for several conservation initiatives on behalf of The Minister of Sustainable Resource Development.

Notes to the Financial Statements

ALBERTA CONSERVATION ASSOCIATION

Year ended March 31, 2012

Note 11

Related Party

Transactions (Continued)

The following is a summary of the contributions made during the year by the Association to organizations which are related to board members to carry out projects approved by the Board of Directors. These transactions are in the normal course of business and are measured at the exchange amount.

Organization	Amount Contributed	
	2012	2011
University of Alberta	\$ 461,153	\$ 562,162
Alberta Hunter Education Instructors Association	343,566	363,138
Alberta Fish and Game Association	104,820	894,339
Nature Alberta	61,560	79,632
Trout Unlimited Canada	35,400	80,978
Alberta Trappers Association	18,101	410
Pheasants Forever	6,000	12,700

Included in accounts payable and accrued liabilities at year-end are the following amounts payable to member organizations:

Organization	2012		2011	
University of Alberta	\$	274,047	\$	306,887
Alberta Fish and Game Association		16,440		16,276
Nature Alberta		7,400		8,032
Trout Unlimited Canada		2,000		5,500
Alberta Trapper's Association		1,650		-
Alberta Hunter Education Instructors Association		815		267

Notes to the Financial Statements

ALBERTA CONSERVATION ASSOCIATION

Year ended March 31, 2012

Note 12

Remuneration of Directors

The following amounts were paid to directors during the fiscal year:

Directors

Mr. Randy Collins	\$ 2,875
Mr. Brian Bildson	1,790
Mr. Adam Norris	1,620
Mr. Calvin Rakach	1,590
Mr. Tom Bateman	1,440
Mr. Colin Gosselin	1,400
Mr. Robert Haysom	1,375
Mr. Jeff Smith	1,335
Ms. Sandra Foss	1,300
Mr. Gordon Burton	1,225
Dr. Lee Foote	1,170
Mr. Don Pike	1,015
Mr. Ken Ambrock	930
Dr. Mark Boyce	890
Mr. Pat Long	850
Mr. William Abercrombie	760

\$ 21,565

ALBERTA CONSERVATION ASSOCIATION

Year ended March 31, 2012

Note 13

Financial Instruments

The Association's financial instruments consist of accounts receivable, long-term investments, bank indebtedness, accounts payable and accrued liabilities and a demand loan. Unless otherwise noted, it is management's opinion that the Association is not exposed to significant credit risks arising from these financial instruments.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rate. The Association is exposed to interest rate risk primarily through its floating interest rate on the line of credit and through its holding of interest-bearing bond instruments purchased at premiums and discounts.

Currency risk

Currency risk is the risk to the Association's earnings that arise from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Association is exposed to currency risk with regard to its U.S. and other foreign denominated investments and has not entered into financial instruments to hedge against this risk.

Fair value

The Association's carrying amounts of accounts receivable, accounts payable and accrued liabilities and the demand loan approximate their fair values due to the short-term maturities of these items.

Note 14

Capital Disclosure

The Association's objectives when managing capital are to protect its ability to meet its on-going financial obligations. Protecting the ability to pay current and future liabilities includes maintaining a prudent base of capital, ensuring adequate liquidity and financial flexibility and satisfying internally determined capital guidelines based on risk management policies.

Capital is comprised of the Association's net assets and demand non-revolving loan and bank indebtedness. As at March 31, 2012, the Association's balance of net assets was \$17,103,238 and the balance of outstanding debt was \$3,301,912.

The Association is not subject to any external capital requirements.