

ALBERTA CONSERVATION ASSOCIATION
Financial Statements
Year Ended March 31, 2019

ALBERTA CONSERVATION ASSOCIATION
Index to Financial Statements
Year Ended March 31, 2019

	Page
INDEPENDENT AUDITOR'S REPORT	1 - 2
FINANCIAL STATEMENTS	
Statement of Operations	3
Statement of Changes in Net Assets	4
Statement of Financial Position	5
Statement of Cash Flow	6
Notes to Financial Statements	7 - 14



KINGSTON
ROSS
PASNAK ^{LLP}

CHARTERED PROFESSIONAL ACCOUNTANTS

Suite 1500, 9888 Jasper Avenue NW
Edmonton, Alberta T5J 5C6
T. 780.424.3000 | F. 780.429.4817 | W. krpgroup.com

June 14, 2019
Edmonton, Alberta

INDEPENDENT AUDITOR'S REPORT

To the Members of Alberta Conservation Association

Qualified Opinion

We have audited the financial statements of Alberta Conservation Association (the Association), which comprise the statement of financial position as at March 31, 2019, and the statements of operations, changes in net assets and cash flow 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 Association as at March 31, 2019, and the results of its operations and its cash flow 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 Association derives revenue from partner contributions and donation 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 Association. Therefore, we were not able to determine whether any adjustments might be necessary to partner contributions, excess of revenues over expenses, and cash flows from operations for the year ended March 31, 2019, current assets and net assets as at March 31, 2019. Our audit opinion on the financial statements for the year ended March 31, 2018 was modified accordingly because of the possible effects of this limitation of 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 Association 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 those 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 the 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 Association's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Association or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Association's financial reporting

(continues)

Independent Auditor's Report to the Members of Alberta Conservation Association
(continued)

process.

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 Association'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 Association'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 Association 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.

Kingston Ross Pasnak LLP

Kingston Ross Pasnak LLP
Chartered Professional Accountants

ALBERTA CONSERVATION ASSOCIATION**Statement of Operations****Year Ended March 31, 2019**

	2019	2018
REVENUE		
Levy, fees and assessments	\$ 13,492,496	\$ 14,422,950
Partner contributions	1,568,685	1,772,059
Investment income	478,841	250,693
Miscellaneous (Note 3)	336,159	170,357
Donations	103,763	83,818
Film sales	-	3,308
	15,979,944	16,703,185
EXPENDITURES		
Salaries and benefits	7,304,561	6,998,541
Grants	2,905,325	1,736,250
Materials and supplies	1,767,290	1,527,095
Contracted services	1,719,759	1,717,641
Rentals	496,704	587,766
Amortization	372,625	359,085
Office	280,597	289,849
Repairs and maintenance	260,261	281,491
Travel	245,098	354,936
Advertising	230,649	245,349
Fuel and lubricants	202,847	195,876
Landowner agreements	199,671	314,862
Telephone and communications	169,062	157,414
Insurance	157,269	165,904
Interest on loans	127,346	119,943
Utilities	99,197	77,605
Freight and postage	63,638	81,690
Hosting and conferences	51,109	41,795
Bank charges and interest	47,435	53,635
Fees, licenses and permits	26,649	22,406
Training and membership	26,269	34,543
Bad debts	41	9,107
	16,753,402	15,372,783
(DEFICIENCY) EXCESS OF REVENUE OVER EXPENDITURES FROM OPERATIONS	(773,458)	1,330,402
OTHER REVENUES (EXPENDITURES)		
Gain on disposal of property and equipment	653,571	10,717
Gain on sale of investments	241,760	132,870
Unrealized (loss) on investments	(466,273)	(111,777)
	429,058	31,810
(DEFICIENCY) EXCESS OF REVENUE OVER EXPENDITURES	\$ (344,400)	\$ 1,362,212

ALBERTA CONSERVATION ASSOCIATION

Statement of Changes in Net Assets

Year Ended March 31, 2019

	Invested in Property and Equipment	Internally Restricted	Unrestricted	2019	2018
NET ASSETS -					
BEGINNING OF YEAR	\$ 32,136,542	\$ 476,811	\$ 411,163	\$ 33,024,516	\$ 30,753,963
Excess of revenue over expenditures	(888,055)	-	543,655	(344,400)	1,362,212
Transfers (Note 10)	-	200,000	(200,000)	-	-
Fund expenditures (Note 10)	433,462	(433,462)	-	-	-
Proceeds on disposal of property and equipment	(65,670)	-	65,670	-	-
Purchase of property and equipment	175,039	-	(175,039)	-	-
Donations and grants restricted for land purchases	2,857,962	-	-	2,857,962	908,341
NET ASSETS - END OF YEAR	\$ 34,649,280	\$ 243,349	\$ 645,449	\$ 35,538,078	\$ 33,024,516

ALBERTA CONSERVATION ASSOCIATION**Statement of Financial Position****March 31, 2019**

	2019	2018
ASSETS		
CURRENT		
Cash	\$ 714,416	\$ 1,516,606
Short term investments (Note 4)	10,132	17,402
Accounts receivable	476,755	267,224
Inventory	3,292	2,530
Goods and Services Tax recoverable	29,501	47,373
Prepaid expenses	70,493	308,849
	1,304,589	2,159,984
LONG TERM INVESTMENTS (Note 4)	5,174,377	7,973,135
PROPERTY AND EQUIPMENT (Note 5)	33,099,703	30,586,965
FILM COLLECTION (Note 6)	1,549,577	1,549,577
	\$ 41,128,246	\$ 42,269,661
LIABILITIES AND NET ASSETS		
CURRENT		
Bank indebtedness (Note 7)	\$ 355,000	\$ 730,000
Accounts payable and accrued liabilities	1,521,697	1,765,511
Source deductions payable	83,160	59,675
Deferred contributions (Note 8)	3,616,365	3,251,596
Deposits	13,946	31,697
Term loans	-	3,406,666
	5,590,168	9,245,145
NET ASSETS		
Invested in property and equipment	34,649,280	32,136,542
Internally restricted (Note 10)	243,349	476,811
Unrestricted	645,449	411,163
	35,538,078	33,024,516
	\$ 41,128,246	\$ 42,269,661

ON BEHALF OF THE BOARD

Director

Director

ALBERTA CONSERVATION ASSOCIATION
Statement of Cash Flow
Year Ended March 31, 2019

	2019	2018
OPERATING ACTIVITIES		
Cash receipts	\$ 15,322,532	\$ 16,843,359
Cash paid to suppliers	(7,370,947)	(8,027,095)
Cash paid to employees	(7,304,561)	(6,998,541)
Investment income received	478,841	250,693
Interest paid	(174,789)	(173,579)
Cash flow from operating activities	951,076	1,894,837
INVESTING ACTIVITIES		
Purchase of property and equipment	(608,491)	(796,517)
Proceeds on disposal of property and equipment	65,670	12,799
Net increase in long-term investments	2,563,951	(626,054)
Cash flow from (used by) investing activities	2,021,130	(1,409,772)
FINANCING ACTIVITIES		
Repayment of term loans	(3,406,666)	(863,344)
Proceeds (repayment) of line of credit financing	(375,000)	730,000
Cash flow used by financing activities	(3,781,666)	(133,344)
INCREASE (DECREASE) IN CASH FLOW	(809,460)	351,721
CASH - BEGINNING OF YEAR	1,534,008	1,182,287
CASH - END OF YEAR	\$ 724,548	\$ 1,534,008
CASH CONSISTS OF:		
Cash and cash equivalents	\$ 714,416	\$ 1,516,606
Short term investments	10,132	17,402
	\$ 724,548	\$ 1,534,008

ALBERTA CONSERVATION ASSOCIATION

Notes to Financial Statements

Year Ended March 31, 2019

1. PURPOSE OF THE ASSOCIATION

Alberta Conservation Association (the "Association") is incorporated under the Alberta Societies Act as a not-for-profit organization. Effective February 3, 1997, 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 as such, is exempt from payment of income taxes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. Significant accounting policies observed in the preparation of the financial statements are summarized below.

Basis of presentation

The financial statements include the accounts of the Association and its former fully-owned subsidiary company, Karvonen Films Ltd., which was wound up on March 31, 2018. The prior year financial statements were consolidated with the subsidiary.

Financial instruments

All financial instruments are initially measured at fair value, and, unless otherwise noted, the Association subsequently measures its financial instruments at amortized cost.

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 and equipment when received. Unrestricted contributions from member organizations and donors, fee and assessment revenues, investment revenues, miscellaneous revenue and film sales 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.

Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit plus highly liquid short term investments, less cheques issued and outstanding. Highly liquid short term investments consist of mutual funds and treasury bills with maturities at the date of purchase of less than ninety days.

Inventory

Inventory is measured at the lower of cost or net realizable value with the cost being determined on a first-in, first-out basis. The amount of inventory expensed during the year was \$3,292 (2018 - \$3,623).

(continues)

ALBERTA CONSERVATION ASSOCIATION

Notes to Financial Statements

Year Ended March 31, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property and equipment

Property and equipment is stated at cost or deemed cost less accumulated amortization. Property and equipment is amortized over its estimated useful life at the following rates and methods:

Building	4%	diminishing balance method
Automotive	30%	diminishing balance method
Computer hardware	33%	diminishing balance method
Trailers	20%	diminishing balance method
Other equipment	20%	diminishing balance method
Communication equipment	33%	diminishing balance method
Office equipment	20%	diminishing balance method
Boats	20%	diminishing balance method
Computer software	two years	straight-line method
Leasehold improvements	six years	straight-line method

In the year of purchase, amortization on property and equipment is pro-rated based on the acquisition date.

Property and equipment acquired during the year are not amortized until they are available for use.

Long-term investments

Long-term investments are recorded at market value. The Association's long-term investments consist of 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. Transaction costs are recognized immediately in the consolidated statement of operations.

Film collection

The film collection is comprised of films and videos of material held for educational and research purposes that has been preserved through a digitization process. The cost of the film collection acquired in the business combination is its fair value as at the date of acquisition. Any proceeds on the sale of collection items would be used to acquire additional items for the collection or for the direct care of the collection.

Statement of Cash Flow

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

Measurement uncertainty

The preparation of financial statements in conformity with accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates include providing for amortization of property and equipment, accounts receivable valuation, and the valuation of the film collection. These estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

ALBERTA CONSERVATION ASSOCIATION

Notes to Financial Statements

Year Ended March 31, 2019

3. MISCELLANEOUS

Miscellaneous revenue includes advertising revenue, event ticket and raffle sales, hay and surface lease revenue, leased premise income, accounting services to member groups as well as administration fees for predator compensation program.

4. INVESTMENTS

	2019	2018
Short Term Investments		
Cash held in investment account	\$ 10,132	\$ 17,402
Long Term Investments		
Mutual funds	\$ 206,309	\$ 470,803
Canadian equities	2,895,903	3,583,570
Canadian Fixed Income (Bissett Bond Fund)	1,081,183	2,027,077
International equities	521,613	1,086,524
US equities	469,369	805,161
	\$ 5,174,377	\$ 7,973,135

Bonds have varying maturities between April 1, 2019 and March 6, 2048 and bear interest at various rates between 1.65% and 10.00%.

Included in the investment balance is \$2,104,078 (2018 - \$1,864,286) in funds set aside to manage Association properties.

5. PROPERTY AND EQUIPMENT

	Cost	Accumulated amortization	2019 Net book value	2018 Net book value
Land	\$ 30,895,549	\$ -	\$ 30,895,549	\$ 28,171,468
Building	1,679,350	635,676	1,043,674	1,087,160
Automotive	1,528,718	1,170,443	358,275	425,920
Computer hardware	549,079	228,669	320,410	339,538
Trailers	553,883	316,135	237,748	286,081
Other equipment	692,012	543,933	148,079	157,809
Communication equipment	171,194	125,957	45,237	57,535
Office equipment	212,770	187,138	25,632	30,422
Boats	147,802	131,379	16,423	26,621
Computer software	593,888	588,123	5,765	-
Leasehold improvements	784,821	781,910	2,911	4,411
	\$ 37,809,066	\$ 4,709,363	\$ 33,099,703	\$ 30,586,965

ALBERTA CONSERVATION ASSOCIATION

Notes to Financial Statements

Year Ended March 31, 2019

6. FILM COLLECTION

During the prior year, the legal ownership of the film collection transferred from Karvonen Films Ltd. to the Association. The value of the films to the entity has not changed due to the transfer. Included in film collection as at March 31, 2019 is \$1,500,656, which represents the price paid in excess of 100% of the shares of Karvonen Films Ltd. acquired less a portion written off for project contributions forgiveness in the amount of \$1,474,293. In addition, the Association has digitized the collection resulting in additional costs incurred in the 2013 fiscal year of \$48,921.

7. BANK INDEBTEDNESS

At March 31, 2019 the Association had available a TD Bank demand operating credit facility with an authorized limit of \$2,000,000. The facility is due on demand and bears interest at an annual rate of bank prime (3.95%). As collateral for the credit facility, the Association has provided a General Security Agreement representing a first charge on specific assets and undertakings. As at the end of the year, the Association had drawn \$355,000 (2018 - \$730,000) on the available credit facility.

8. 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.

	2019	2018
Deferred contributions, beginning of year	\$ 3,251,596	\$ 2,616,247
Add: contributions received	2,518,752	1,190,409
Less: amounts recognized as revenue or net assets	(2,153,983)	(555,060)
Deferred contributions, end of year	\$ 3,616,365	\$ 3,251,596

ALBERTA CONSERVATION ASSOCIATION

Notes to Financial Statements

Year Ended March 31, 2019

9. COMMITMENTS

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

2020	6,978
------	-------

- (b) The Association owns office space in Sherwood Park Alberta and is committed to paying annual fees in the amount of \$56,771 associated with this office. There is an expectation that similar annual fees will be paid as long as the office space is being utilized.

- (c) The Association is committed to two leases for vehicles. The total lease obligations as at year end are as follows:

2020	8,295
2021	8,295
2022	8,295

- (d) The Association is committed to various leases for office equipment. The total lease obligations as at year end are as follows:

2020	25,328
2021	20,182
2022	20,182
2023	19,680
2024	10,935

10. INTERNALLY RESTRICTED FUNDS

	2019	2018
Habitat Securement Fund	\$ 43,349	\$ 276,811
Golden Ranches Project Fund	200,000	200,000
	\$ 243,349	\$ 476,811

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. On a yearly basis \$200,000 is transferred into this Fund from operational revenue. Any unallocated funds at year-end are left within the Fund. Expenditures in the Fund for fiscal 2018-19 were \$433,462 (2018 - \$299,371).

The Golden Ranches Project fund is intended to provide funds to be used to pay down the principal portion of the term loan used to purchase the Golden Ranches property in the current year. The requirement for internally restricted funds is determined on a year by year basis by the management. Expenditures in the Fund for fiscal 2018-19 were \$nil (2018 - \$600,000).

ALBERTA CONSERVATION ASSOCIATION

Notes to Financial Statements

Year Ended March 31, 2019

11. RELATED PARTY TRANSACTIONS

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

Alberta Fish and Game Association
Alberta Hunter Education Instructor's Association
Alberta Professional Outfitters Society
Alberta Environment and Parks
Alberta Trappers' Association
Nature Alberta
Pheasants Forever Alberta Council
Treaty 8 First Nations of Alberta
Trout Unlimited Canada
Wild Sheep Foundation

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

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.

	2019	2018
University of Alberta	\$ 338,920	\$ 303,942
Alberta Hunter Education Instructor's Association	171,451	170,283
Alberta Fish and Game Association	120,924	130,288
Trout Unlimited Canada	111,845	87,337
Nature Alberta	97,428	72,470
Alberta Trappers' Association	20,935	535
Alberta Professional Outfitters Society	2,625	3,115
Pheasants Forever Alberta Council	2,500	4,120

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

	2019	2018
University of Alberta	\$ 51,750	\$ 262,850
Alberta Hunter Education Instructors' Association	3,608	50,088
Alberta Fish and Game Association	13,350	43,846
Trout Unlimited Canada	18,287	25,675
Nature Alberta	29,147	24,050
Alberta Trappers' Association	5,200	-
Pheasants Forever Alberta Council	-	260

(continues)

ALBERTA CONSERVATION ASSOCIATION

Notes to Financial Statements

Year Ended March 31, 2019

11. RELATED PARTY TRANSACTIONS *(continued)*

Included in accounts receivable at year-end are the following amounts receivable from member organizations:

	2019	2018
Alberta Fish and Game Association	\$ 10,655	\$ 10,000
Trout Unlimited Canada	3,000	-
Pheasants Forever Alberta Council	50,000	-

12. REMUNERATION OF DIRECTORS

The following amounts were paid to directors during the year:

Mr. Robert Gruszecki	\$ 2,825
Ms. Sandra Mellon	2,405
Mr. Alfred Calverley	2,310
Mr. Randy Collins	2,050
Mr. Brian Bildson	1,850
Mr. Greg Shyba	1,650
Mr. Ken Ambrock	1,290
Mr. Brian Joubert	1,150
Dr. Lee Foote	1,140
Dr. Mark Boyce	790
Mr. Richard Stamp	780
Mr. Pat Long	420
Mr. Michael Perkins	335
	\$ 18,995

13. PRESIDENT AND CEO COMPENSATION

Total gross compensation for the President and CEO during fiscal 2019 was \$305,175, which includes base salary, benefits and allowances.

ALBERTA CONSERVATION ASSOCIATION

Notes to Financial Statements

Year Ended March 31, 2019

14. FINANCIAL INSTRUMENTS

The Association is exposed to various risks through its financial instruments. The following analysis provides information about the Association's risk exposure and concentration as of March 31, 2019. Unless otherwise noted, the Association's risk exposure has not changed from the prior year.

Liquidity risk

Liquidity risk is the risk that the Association will encounter difficulty in meeting its financial obligations as they become due. Cash flow from operations provides a substantial portion of the Association's cash requirements, and additional requirements are met with the use of available credit facilities.

Currency risk

Currency risk is the risk to the company's earnings that arise from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Association is exposed to foreign currency exchange risk on cash, accounts receivable, and accounts payable held in U.S. dollars. The company does not use derivative instruments to reduce its exposure to foreign currency risk.

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 rates. In seeking to minimize the risks from interest rate fluctuations, the Association manages exposure through its normal operating and financing activities. The Association is exposed to interest rate risk primarily through its floating interest rate bank indebtedness and credit facilities.

15. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.