

ALBERTA CONSERVATION ASSOCIATION
Consolidated Financial Statements
Year Ended March 31, 2017

ALBERTA CONSERVATION ASSOCIATION
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Year Ended March 31, 2017

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June 10, 2017
Edmonton, Alberta

INDEPENDENT AUDITOR'S REPORT

To the Members of Alberta Conservation Association

We have audited the accompanying consolidated financial statements of Alberta Conservation Association, which comprise the consolidated statement of financial position as at March 31, 2017 and the consolidated 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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

In common with many not-for-profit organizations, Alberta Conservation 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 effects of the matter described in the Basis for Qualified Opinion paragraph, the consolidated financial statements present fairly, in all material respects, the financial position of Alberta Conservation Association as at March 31, 2017 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.

Kingston Ross Pasnak LLP

Kingston Ross Pasnak LLP
Chartered Professional Accountants

ALBERTA CONSERVATION ASSOCIATION
Consolidated Statement of Operations
For the Year Ended March 31, 2017

	2017	2016 (Note 4)
REVENUE		
Levy, fees and assessments	\$ 14,570,386	\$ 14,625,606
Partner contributions	1,606,470	1,479,313
Investment income	326,969	233,653
Miscellaneous (Note 3)	298,964	319,630
Donations	73,833	28,047
Film sales	-	663
	16,876,622	16,686,912
EXPENDITURES		
Salaries and benefits	7,009,467	7,008,883
Contracted services	2,273,211	2,287,960
Materials and supplies	1,563,439	1,458,451
Grants	1,515,030	1,712,844
Rentals	456,979	388,326
Repairs and maintenance	419,516	315,145
Office	399,881	250,440
Travel	330,715	449,231
Amortization	311,015	289,729
Advertising	237,941	230,954
Fuel and lubricants	186,453	172,206
Landowner agreements	166,563	157,741
Telephone and communications	160,355	136,565
Insurance	131,346	123,647
Freight and postage	83,776	115,343
Interest on loans	59,008	75,705
Bank charges and interest	54,749	37,381
Utilities	50,283	45,721
Hosting and conferences	45,306	13,593
Training and membership	37,449	49,397
Fees, licenses and permits	33,745	38,622
Bad debts	494	-
	15,526,721	15,357,884
EXCESS OF REVENUE OVER EXPENDITURES FROM OPERATIONS	1,349,901	1,329,028
OTHER REVENUES (EXPENDITURES)		
Unrealized gain (loss) on investments	430,221	(433,281)
Gain on sale of investments	91,318	139,722
Write-off of aeration equipment	-	(442,532)
Loss on disposal of property and equipment	(1,204)	(4,015)
	520,335	(740,106)
EXCESS OF REVENUE OVER EXPENDITURES	\$ 1,870,236	\$ 588,922

ALBERTA CONSERVATION ASSOCIATION
Consolidated Statement of Changes in Net Assets
Year Ended March 31, 2017

	Invested in Property and Equipment	Internally Restricted	Unrestricted	2017	2016 (Note 4)
NET ASSETS -					
BEGINNING OF YEAR					
AS RESTATED	\$ 26,514,280	\$ 594,183	\$ 53,970	\$ 27,162,433	\$ 25,320,028
Excess of revenue over expenditures	(312,218)	-	2,182,454	1,870,236	588,922
Transfers (Note 13)	-	600,000	(600,000)	-	-
Fund expenditures (Note 13)	-	(18,001)	18,001	-	-
Proceeds on disposal of property and equipment	(20,171)	-	20,171	-	-
Purchase of property and equipment	2,889,656	-	(2,889,656)	-	-
Donations and grants restricted for land purchases	1,721,294	-	-	1,721,294	1,253,483
NET ASSETS - END OF YEAR	\$ 30,792,841	\$ 1,176,182	\$ (1,215,060)	\$ 30,753,963	\$ 27,162,433

ALBERTA CONSERVATION ASSOCIATION
Consolidated Statement of Financial Position
March 31, 2017

	2017	2016 (Note 4)
ASSETS		
CURRENT		
Cash	\$ 781,948	\$ 270,705
Short term investments (Note 5)	400,339	237,502
Accounts receivable	600,807	475,039
Inventory	6,153	8,204
Goods and Services Tax recoverable	113,764	68,013
Prepaid expenses	134,639	114,069
	2,037,650	1,173,532
LONG TERM INVESTMENTS (Note 5)	7,338,849	6,516,728
PROPERTY AND EQUIPMENT (Note 6)	29,243,264	24,964,703
FILM COLLECTION (Note 7)	1,549,577	3,023,870
	\$ 40,169,340	\$ 35,678,833
LIABILITIES AND NET ASSETS		
CURRENT		
Bank indebtedness (Note 8)	\$ -	\$ 330,000
Accounts payable and accrued liabilities	2,443,900	2,074,475
Source deductions payable	73,670	-
Deferred contributions (Note 9)	2,616,247	2,361,994
Deposits	11,560	35,638
Term loans (Note 10)	4,270,000	2,240,000
	9,415,377	7,042,107
PROJECT CONTRIBUTIONS (Note 11)	-	1,474,293
	9,415,377	8,516,400
COMMITMENTS (Note 12)		
NET ASSETS		
Invested in property and equipment	30,792,841	26,514,280
Internally restricted (Note 13)	1,176,182	594,183
Unrestricted	(1,215,060)	53,970
	30,753,963	27,162,433
	\$ 40,169,340	\$ 35,678,833

ON BEHALF OF THE BOARD

 Director
 Director

ALBERTA CONSERVATION ASSOCIATION
Consolidated Statement of Cash Flow
Year Ended March 31, 2017

	2017	2016
OPERATING ACTIVITIES		
Cash receipts	\$ 15,977,640	\$ 15,928,109
Cash paid to suppliers	(7,035,318)	(7,448,799)
Cash paid to employees	(7,009,467)	(7,008,883)
Investment income received	326,969	233,653
Interest paid	(113,757)	(113,086)
Cash flow from operating activities	2,146,067	1,590,994
INVESTING ACTIVITIES		
Purchase of property and equipment	(2,889,656)	(1,108,054)
Proceeds on disposal of property and equipment	20,171	453,489
Net increase in long-term investments	(302,502)	(696,337)
Cash flow used by investing activities	(3,171,987)	(1,350,902)
FINANCING ACTIVITIES		
Proceeds from term loan financing	2,150,000	-
Repayment of term loans	(120,000)	(495,097)
(Repayment) proceeds from line of credit financing	(330,000)	5,000
Cash flow from (used by) financing activities	1,700,000	(490,097)
INCREASE (DECREASE) IN CASH	674,080	(250,005)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	508,207	758,212
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,182,287	\$ 508,207
CASH AND CASH EQUIVALENTS CONSIST OF:		
Cash	\$ 781,948	\$ 270,705
Short term investments	400,339	237,502
	\$ 1,182,287	\$ 508,207

ALBERTA CONSERVATION ASSOCIATION
Notes to Consolidated Financial Statements
Year Ended March 31, 2017

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 consolidated 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 consolidated financial statements are summarized below.

Basis of consolidation

The consolidated financial statements include the accounts of the Association and its fully-owned subsidiary company, Karvonen Films Ltd., the company holding the film collection. The results of operations of the subsidiary is included in the consolidated financial statements from the date of incorporation.

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. On occasion, the operating line of credit is drawn upon to meet short-term cash needs.

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 \$2,051 (2016 - \$2,380).

(continues)

ALBERTA CONSERVATION ASSOCIATION
Notes to Consolidated Financial Statements
Year Ended March 31, 2017

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
Leasehold improvements	six years	straight-line method
Computer software	100%	diminishing balance method

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. The collection has an indefinite life and is not subject to amortization. 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.

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.

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.

ALBERTA CONSERVATION ASSOCIATION
Notes to Consolidated Financial Statements
Year Ended March 31, 2017

4. RESTATEMENT

During the year it was determined that a contribution received in the 2016 year that was initially recorded as a deferred contribution was restricted in use by the Association's Board of Directors and not by the external funder. The contribution should have been recorded as revenue in the year and shown as an addition to the Internally Restricted Net Assets. The adjustment has resulted in an \$400,000 increase in the Levy, Fees and assessments recorded on the 2016 Consolidated Statement of Operations and a corresponding increase to the Internally Restricted Net Assets recorded on the Consolidated Statement of Changes in Net Assets and Consolidated Statement of Financial Position.

5. INVESTMENTS

	2017	2016
Short Term Investments		
Cash held in investment account	\$ 15,865	\$ 11,166
Mutual funds	384,474	226,336
	\$ 400,339	\$ 237,502
Long Term Investments		
Canadian Fixed Income (Bissett Bond Fund)	\$ 1,985,561	\$ 2,073,409
Canadian equities	3,557,895	2,962,810
International equities	950,400	790,153
US equities	844,993	690,356
	\$ 7,338,849	\$ 6,516,728

Bonds have varying maturities between April 3, 2017 and June 2, 2041 and bear interest at various rates between 0.40% and 10.00%.

Included in the investment balance is \$1,791,312 (2016 - \$1,432,836) in funds set aside to manage Association properties.

ALBERTA CONSERVATION ASSOCIATION
Notes to Consolidated Financial Statements
Year Ended March 31, 2017

6. PROPERTY AND EQUIPMENT

	Cost	Accumulated amortization	2017 Net book value	2016 Net book value
Land	\$ 26,956,817	\$ -	\$ 26,956,817	\$ 22,740,392
Building	1,679,350	546,891	1,132,459	1,179,644
Automotive	1,365,317	1,042,967	322,350	383,374
Computer hardware	486,023	191,959	294,064	273,264
Trailers	510,036	233,279	276,757	124,420
Other equipment	680,763	538,882	141,881	167,977
Communication equipment	133,098	85,672	47,426	7,711
Office equipment	214,072	175,850	38,222	47,165
Boats	220,498	193,120	27,378	33,347
Leasehold improvements	784,821	778,911	5,910	7,409
Computer software	568,263	568,263	-	-
	\$ 33,599,058	\$ 4,355,794	\$ 29,243,264	\$ 24,964,703

7. FILM COLLECTION

Included in film collection as at March 31, 2017 is \$2,974,949, which represents the price paid in excess of 100% of the shares of Karvonen Films Ltd. acquired. In addition, the Association has digitized the collection resulting in additional costs incurred in the 2013 fiscal year of \$48,921. During the year the project contribution liabilities related to the film collection have been written off as forgiven. The amount of the forgiveness has been recognized as a reduction in the price paid in excess of the shares of Karvonen Films Ltd. The total of the reduction in the year is \$1,474,293.

8. BANK INDEBTEDNESS

At March 31, 2017 the Association had available a TD Bank demand operating credit facility with an authorized limit of \$1,500,000. The facility is due on demand and bears interest at an annual rate of bank prime (2.7%). 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 \$nil (2016 - \$330,000) on the available credit facility.

ALBERTA CONSERVATION ASSOCIATION
Notes to Consolidated Financial Statements
Year Ended March 31, 2017

9. 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 in the current year. These funds have been carried forward to spend on future similar projects, at the discretion of the contributor.

	2017	2016
Deferred contributions, beginning of year	\$ 2,361,994	\$ 2,183,592
Add: contributions received	909,252	1,181,534
Less: amounts recognized as revenue	(654,999)	(1,003,132)
Deferred contributions, end of year	\$ 2,616,247	\$ 2,361,994

10. TERM LOANS

	2017	2016
Term loan bearing annual interest of bank prime (2.7%), repayable in monthly principal payments of \$11,944 plus interest and maturing on March 15, 2018. The loan is secured by a General Security Agreement, as referred to in Note 8.	\$ 2,150,000	\$ -
Term loan bearing annual interest of bank prime (2.7%), repayable in monthly principal payments of \$10,000 plus interest and maturing on November 14, 2017. The loan is secured by a General Security Agreement, as referred to in Note 8.	2,120,000	2,240,000
	\$ 4,270,000	\$ 2,240,000

11. PROJECT CONTRIBUTIONS

The Association's fully-owned subsidiary has received contributions from third parties in order to fund the film collection. Repayment of these contributions are subject to revenue generated by the collection.

The Association has no intention to generate income from the film collection, and in the current year, some of the third parties have agreed to forgive the outstanding debt. The forgiven total has been recognized as a decrease in the value of the film collection in the year (Note 7).

ALBERTA CONSERVATION ASSOCIATION
Notes to Consolidated Financial Statements
Year Ended March 31, 2017

12. COMMITMENTS

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

2018	\$124,810
2019	6,978
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:

2018	\$12,428
2019	8,640
2020	8,640

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

2018	\$7,385
2019	5,196
2020	2,256

13. INTERNALLY RESTRICTED FUNDS

	2017	2016
Habitat Securement Fund	\$ 376,182	\$ 194,183
Golden Ranches Project Fund	800,000	400,000
	\$ 1,176,182	\$ 594,183

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 2016-17 were \$18,001 (2016 - \$153,150).

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.

ALBERTA CONSERVATION ASSOCIATION
Notes to Consolidated Financial Statements
Year Ended March 31, 2017

14. 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

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.

	2017	2016
University of Alberta	\$ 413,548	\$ 479,207
Alberta Hunter Education Instructor's Association	188,370	234,418
Trout Unlimited Canada	120,349	77,505
Alberta Fish and Game Association	119,215	102,575
Nature Alberta	90,897	85,194
Pheasants Forever Alberta Council	8,500	8,575
Alberta Trappers' Association	4,000	11,250
Alberta Professional Outfitters Society	420	2,299

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

	2017	2016
University of Alberta	\$ 41,189	\$ 80,590
Alberta Fish and Game Association	34,275	25,140
Trout Unlimited Canada	26,132	14,603
Alberta Hunter Education Instructors' Association	21,000	7,230
Nature Alberta	20,800	28,272
Alberta Trappers' Association	1,300	-

ALBERTA CONSERVATION ASSOCIATION
Notes to Consolidated Financial Statements
Year Ended March 31, 2017

15. REMUNERATION OF DIRECTORS

The following amounts were paid to directors during the year:

Mr. Robert Gruszecki	\$	3,670
Mr. Brian Bildson		2,715
Mr. Tom Bateman		2,250
Mr. Greg Shyba		2,235
Mr. Pat Long		2,220
Mr. Randy Collins		2,170
Mr. Adam Norris		1,995
Mr. Alfred Calverley		1,725
Mr. Leonard Hansen		1,700
Dr. Mark Boyce		1,700
Mr. Ken Ambrock		1,670
Mr. Rob Duncan		1,560
Mr. Brian Joubert		1,490
Dr. Lee Foote		1,460
Mr. Chris Fowler		990
Mr. Carson Nutting		700
Ms. Sandra Mellon		360
Mr. Chad Lenz		335

\$ 30,945

16. PRESIDENT AND CEO COMPENSATION

Total gross compensation for the President and CEO during fiscal 2017 was \$298,094, which includes base salary, benefits and allowances.

ALBERTA CONSERVATION ASSOCIATION
Notes to Consolidated Financial Statements
Year Ended March 31, 2017

17. 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, 2017. Unless otherwise noted, the Association's risk exposure has not changed from the prior year.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency rate risk, interest rate risk and other price risk.

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 foreign currency exchange risk on cash, accounts receivable, and accounts payable held in U.S. dollars. The Association 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 market 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.

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 the available credit facilities.