

ALBERTA CONSERVATION ASSOCIATION
Consolidated Financial Statements
Year Ended March 31, 2018

ALBERTA CONSERVATION ASSOCIATION
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Year Ended March 31, 2018

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KINGSTON
ROSS
PASNAK ^{LLP}

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

June 8, 2018
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, 2018 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, 2018 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
Year Ended March 31, 2018

	2018	2017
REVENUE		
Levy, fees and assessments	\$ 14,422,950	\$ 14,570,386
Partner contributions	1,772,059	1,606,470
Investment income	250,693	326,969
Miscellaneous (Note 3)	170,357	298,964
Donations	83,818	73,833
Film sales	3,308	-
	16,703,185	16,876,622
EXPENDITURES		
Salaries and benefits	6,998,541	7,009,467
Grants	1,736,250	1,515,030
Contracted services	1,717,641	2,273,211
Materials and supplies	1,527,095	1,563,439
Rentals	587,766	456,979
Amortization	359,085	311,015
Travel	354,936	330,715
Landowner agreements	314,862	166,563
Office	289,849	399,881
Repairs and maintenance	281,491	419,516
Advertising	245,349	237,941
Fuel and lubricants	195,876	186,453
Insurance	165,904	131,346
Telephone and communications	157,414	160,355
Interest on loans	119,943	59,008
Freight and postage	81,690	83,776
Utilities	77,605	50,283
Bank charges and interest	53,635	54,749
Hosting and conferences	41,795	45,306
Training and membership	34,543	37,449
Fees, licenses and permits	22,406	33,745
Bad debts	9,107	494
	15,372,783	15,526,721
EXCESS OF REVENUE OVER EXPENDITURES FROM OPERATIONS	1,330,402	1,349,901
OTHER REVENUES (EXPENDITURES)		
Gain on sale of investments	132,870	91,318
Gain (loss) on disposal of property and equipment	10,717	(1,204)
Unrealized (loss) gain on investments	(111,777)	430,221
	31,810	520,335
EXCESS OF REVENUE OVER EXPENDITURES	\$ 1,362,212	\$ 1,870,236

ALBERTA CONSERVATION ASSOCIATION
Consolidated Statement of Changes in Net Assets
Year Ended March 31, 2018

	Invested in Property and Equipment	Internally Restricted	Unrestricted	2018	2017
NET ASSETS -					
BEGINNING OF YEAR	\$ 30,792,841	\$ 1,176,182	\$ (1,215,060)	\$ 30,753,963	\$ 27,162,433
Excess of revenue over expenditures	(348,368)	-	1,710,580	1,362,212	1,870,236
Transfers (Note 11)	-	200,000	(200,000)	-	-
Fund expenditures (Note 11)	-	(899,371)	899,371	-	-
Proceeds on disposal of property and equipment	(12,790)	-	12,790	-	-
Purchase of property and equipment	796,518	-	(796,518)	-	-
Donations and grants restricted for land purchases	908,341	-	-	908,341	1,721,294
NET ASSETS - END OF YEAR	\$ 32,136,542	\$ 476,811	\$ 411,163	\$ 33,024,516	\$ 30,753,963

ALBERTA CONSERVATION ASSOCIATION
Consolidated Statement of Financial Position
March 31, 2018

	2018	2017
ASSETS		
CURRENT		
Cash	\$ 1,516,606	\$ 781,948
Short term investments (Note 4)	488,205	400,339
Accounts receivable	267,224	600,807
Inventory	2,530	6,153
Goods and Services Tax recoverable	47,373	113,764
Prepaid expenses	308,849	134,639
	2,630,787	2,037,650
LONG TERM INVESTMENTS (Note 4)	7,502,332	7,338,849
PROPERTY AND EQUIPMENT (Note 5)	30,586,965	29,243,264
FILM COLLECTION (Note 6)	1,549,577	1,549,577
	\$ 42,269,661	\$ 40,169,340
LIABILITIES AND NET ASSETS		
CURRENT		
Bank indebtedness (Note 7)	\$ 730,000	\$ -
Accounts payable and accrued liabilities	1,765,511	2,443,900
Source deductions payable	59,675	73,670
Deferred contributions (Note 8)	3,251,596	2,616,247
Deposits	31,697	11,560
Term loans (Note 9)	3,406,666	4,270,000
	9,245,145	9,415,377
COMMITMENTS (Note 10)		
NET ASSETS		
Invested in property and equipment	32,136,542	30,792,841
Internally restricted (Note 11)	476,811	1,176,182
Unrestricted	411,163	(1,215,060)
	33,024,516	30,753,963
	\$ 42,269,661	\$ 40,169,340

ON BEHALF OF THE BOARD

 Director
 Director

ALBERTA CONSERVATION ASSOCIATION
Consolidated Statement of Cash Flow
Year Ended March 31, 2018

	2018	2017
OPERATING ACTIVITIES		
Cash receipts	\$ 16,843,358	\$ 15,977,640
Cash paid to suppliers	(8,027,094)	(7,035,318)
Cash paid to employees	(6,998,541)	(7,009,467)
Investment income received	250,693	326,969
Interest paid	(173,579)	(113,757)
Cash flow from operating activities	1,894,837	2,146,067
INVESTING ACTIVITIES		
Purchase of property and equipment	(796,517)	(2,889,656)
Proceeds on disposal of property and equipment	12,799	20,171
Net increase in long-term investments	(155,251)	(302,502)
Cash flow used by investing activities	(938,969)	(3,171,987)
FINANCING ACTIVITIES		
Proceeds from term loan financing	-	2,150,000
Repayment of term loans	(863,344)	(120,000)
Proceeds (repayment) of line of credit financing	730,000	(330,000)
Cash flow (used by) from financing activities	(133,344)	1,700,000
INCREASE IN CASH	822,524	674,080
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	1,182,287	508,207
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 2,004,811	\$ 1,182,287
CASH AND CASH EQUIVALENTS CONSIST OF:		
Cash	\$ 1,516,606	\$ 781,948
Short term investments	488,205	400,339
	\$ 2,004,811	\$ 1,182,287

ALBERTA CONSERVATION ASSOCIATION
Notes to Consolidated Financial Statements
Year Ended March 31, 2018

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 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 \$3,623 (2017 - \$2,051).

(continues)

ALBERTA CONSERVATION ASSOCIATION
Notes to Consolidated Financial Statements
Year Ended March 31, 2018

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.

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 Consolidated Financial Statements
Year Ended March 31, 2018

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

	2018	2017
Short Term Investments		
Cash held in investment account	\$ 17,402	\$ 15,865
Mutual funds	470,803	384,474
	\$ 488,205	\$ 400,339
Long Term Investments		
Canadian Fixed Income (Bissett Bond Fund)	\$ 2,027,077	\$ 1,985,561
Canadian equities	3,583,570	3,557,895
International equities	1,086,524	950,400
US equities	805,161	844,993
	\$ 7,502,332	\$ 7,338,849

Bonds have varying maturities between May 1, 2018 and March 6, 2048 and bear interest at various rates between 0.25% and 10.00%.

Included in the investment balance is \$1,864,286 (2017 - \$1,791,312) in funds set aside to manage Association properties.

5. PROPERTY AND EQUIPMENT

	Cost	Accumulated amortization	2018 Net book value	2017 Net book value
Land	\$ 28,171,468	\$ -	\$ 28,171,468	\$ 26,956,817
Building	1,679,350	592,190	1,087,160	1,132,459
Automotive	1,591,848	1,165,928	425,920	322,350
Computer hardware	558,943	219,405	339,538	294,064
Trailers	571,765	285,684	286,081	276,757
Other equipment	718,673	560,864	157,809	141,881
Communication equipment	163,876	106,341	57,535	47,426
Office equipment	211,476	181,054	30,422	38,222
Boats	224,433	197,812	26,621	27,378
Leasehold improvements	784,821	780,410	4,411	5,910
Computer software	568,263	568,263	-	-
	\$ 35,244,916	\$ 4,657,951	\$ 30,586,965	\$ 29,243,264

ALBERTA CONSERVATION ASSOCIATION
Notes to Consolidated Financial Statements
Year Ended March 31, 2018

6. FILM COLLECTION

During the year, the legal ownership of the film collection transferred from Karvonen Films Ltd. to the Association. The value of the films to the consolidated entity have not changed due to the transfer. Included in film collection as at March 31, 2018 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, 2018 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 (3.45%). 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 \$730,000 (2017 - \$nil) 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 in the current year. These funds have been carried forward to spend on future similar projects, at the discretion of the contributor.

	2018	2017
Deferred contributions, beginning of year	\$ 2,616,247	\$ 2,361,994
Add: contributions received	1,190,409	909,252
Less: amounts recognized as revenue	(555,060)	(654,999)
Deferred contributions, end of year	\$ 3,251,596	\$ 2,616,247

ALBERTA CONSERVATION ASSOCIATION
Notes to Consolidated Financial Statements
Year Ended March 31, 2018

9. TERM LOANS

	2018	2017
Term loan bearing annual interest at bank prime (3.45%), repayable in monthly principal payments of \$10,000 plus interest and maturing on November 14, 2018. The loan is secured by a General Security Agreement, as referred to in Note 7.	\$ 2,000,000	\$ 2,120,000
Term loan bearing annual interest at bank prime (3.45%), repayable in monthly principal payments of \$11,944 plus interest and maturing on March 15, 2019. The loan is secured by a General Security Agreement, as referred to in Note 7.	1,406,666	2,150,000
	\$ 3,406,666	\$ 4,270,000

10. COMMITMENTS

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

2019	\$86,268
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:

2019	\$12,085
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:

2019	\$15,048
2020	7,820
2021	2,008
2022	2,008
2023	1,506

ALBERTA CONSERVATION ASSOCIATION
Notes to Consolidated Financial Statements
Year Ended March 31, 2018

11. INTERNALLY RESTRICTED FUNDS

	2018	2017
Habitat Securement Fund	\$ 276,811	\$ 376,182
Golden Ranches Project Fund	200,000	800,000
	\$ 476,811	\$ 1,176,182

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 2017-18 were \$299,371 (2017 - \$18,001).

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 2017-18 were \$600,000 (2017 - \$nil).

ALBERTA CONSERVATION ASSOCIATION
Notes to Consolidated Financial Statements
Year Ended March 31, 2018

12. 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
 Federation of Alberta Naturalists
 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.

	2018	2017
University of Alberta	\$ 303,942	\$ 413,548
Alberta Hunter Education Instructor's Association	170,283	188,370
Alberta Fish and Game Association	130,288	119,215
Trout Unlimited Canada	87,337	120,349
Nature Alberta	72,470	90,897
Pheasants Forever Alberta Council	4,120	8,500
Alberta Professional Outfitters Society	3,115	420
Alberta Trappers' Association	535	4,000

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

	2018	2017
University of Alberta	\$ 262,850	\$ 41,189
Alberta Hunter Education Instructors' Association	50,088	21,000
Alberta Fish and Game Association	43,846	34,275
Trout Unlimited Canada	25,675	26,132
Nature Alberta	24,050	20,800
Pheasants Forever Alberta Council	260	-
Alberta Trappers' Association	-	1,300

ALBERTA CONSERVATION ASSOCIATION
Notes to Consolidated Financial Statements
Year Ended March 31, 2018

13. REMUNERATION OF DIRECTORS

The following amounts were paid to directors during the year:

Ms. Sandra Mellon	\$	1,780
Mr. Robert Gruszecki		1,555
Mr. Greg Shyba		1,435
Mr. Randy Collins		1,225
Mr. Ken Ambrock		1,135
Dr. Lee Foote		955
Dr. Brian Joubert		955
Mr. Brian Bildson		915
Mr. Leonard Hansen		580
Mr. Chris Fowler		555
Mr. Rob Duncan		460
Dr. Mark Boyce		395
Mr. Pat Long		360
Mr. Alfred Calverley		360
Mr. Michael Perkins		260
		<hr/>
		\$ 12,925

14. PRESIDENT AND CEO COMPENSATION

Total gross compensation for the President and CEO during fiscal 2018 was \$302,419, which includes base salary, benefits and allowances.

ALBERTA CONSERVATION ASSOCIATION
Notes to Consolidated Financial Statements
Year Ended March 31, 2018

15. 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, 2018. 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 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 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.