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## **Independent Auditor's Report**

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### **To The Directors Of Walpole Island Land Trust**

#### *Qualified Opinion*

We have audited the financial statements of Walpole Island Land Trust, (the Trust) which comprise the statement of financial position as at December 31, 2018 and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the 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 Trust as at December 31, 2018 and the results of its operations and its cash flows for the year ended in accordance with Canadian Accounting Standards for Not-for-Profit Organizations.

#### *Basis for Qualified Opinion*

The Trust derives revenue from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Trust and we were not able to determine whether any adjustments might be necessary to total revenue, excess of revenue over expenditures for the year, and net assets.

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 Trust in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified 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 Trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Trust or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Trust's financial reporting process.

## **Independent Auditor's Report** *cont'd...*

### *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 Trust'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 Trust'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 Trust 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.



**Sarnia, Ontario**  
**July 19, 2019**

**Chartered Professional Accountants**  
**Licensed Public Accountants**

**Walpole Island Land Trust**  
**Statement Of Operations**  
**For The Year Ended December 31, 2018**

	2018	2017
<b>Revenue</b>		
Other donations and grants	\$ 3,891	\$ 29,779
Deferred lease revenue	<u>4,285</u>	<u>4,285</u>
	<u>8,176</u>	<u>34,064</u>
<b>Expenditures</b>		
Conferences	500	3,830
Conservation lease	4,285	4,285
Land projects	-	21,724
Office and postage	191	1,025
Professional fees	<u>3,200</u>	<u>3,200</u>
	<u>8,176</u>	<u>34,064</u>
Excess Of Revenue Over Expenditures	<u>\$ -</u>	<u>\$ -</u>

**Walpole Island Land Trust**  
**Statement Of Changes In Net Assets**  
**For The Year Ended December 31, 2018**

	<u>2018</u>	<u>2017</u>
Balance, Beginning	\$ 103,861	\$ 103,861
Excess Of Revenue Over Expenditures	<u>-</u>	<u>-</u>
Balance, Ending	<u>\$ 103,861</u>	<u>\$ 103,861</u>

**Walpole Island Land Trust**  
**Statement of Financial Position**  
**December 31, 2018**

	<b>2018</b>	<b>2017</b>
<b>Assets</b>		
Current Assets		
Cash	\$ 32,459	\$ 15,297
Prepaid expenses	<u>4,285</u>	<u>8,570</u>
	36,744	23,867
Land	<u>109,622</u>	<u>109,622</u>
	<u>\$ 146,366</u>	<u>\$ 133,489</u>
<b>Liabilities</b>		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 3,200	\$ 3,200
Deferred revenue (note 2)	<u>35,020</u>	<u>17,858</u>
	38,220	21,058
Deferred lease funding (note 3)	<u>4,285</u>	<u>8,570</u>
	<u>42,505</u>	<u>29,628</u>
<b>Net Assets</b>	<u>103,861</u>	<u>103,861</u>
	<u>\$ 146,366</u>	<u>\$ 133,489</u>

On Behalf Of The Board

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 President

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 Treasurer

**Walpole Island Land Trust**  
**Statement of Cash Flows**  
**For The Year Ended December 31, 2018**

	2018	2017
<b>Cash Provided By (Used For)</b>		
<b>Operating Activities</b>		
Excess of revenue over expenditures	\$ -	\$ -
Net change in non-cash working capital items affecting operations:		
Prepaid expenses	4,285	4,285
Deferred revenue	<u>17,162</u>	<u>(8,745)</u>
	<u>21,447</u>	<u>(4,460)</u>
<b>Financing Activities</b>		
Deferred lease funding	<u>(4,285)</u>	<u>(4,285)</u>
<b>Increase (Decrease) In Cash Position</b>	<b>17,162</b>	<b>(8,745)</b>
<b>Cash Position, Beginning</b>	<u>15,297</u>	<u>24,042</u>
<b>Cash Position, Ending</b>	<u>\$ 32,459</u>	<u>\$ 15,297</u>

## **Nature Of Activities**

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Walpole Island Land Trust is incorporated under the Canada Not-For-Profit Corporations Act as a non-profit organization. It is a Canada Revenue Agency registered charity (82255 8953-RR0001), which is exempt from Canadian income taxes. Walpole Island Land Trust is an organization whose purpose is to protect areas of ecological value in order to ensure the protection of plants and animals and to maintain ecological systems for the benefit of the current and future generations.

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## **1. Significant Accounting Policies**

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### **Basis of Accounting**

These financial statements have been prepared in accordance with Canadian Accounting Standards for Not-for-Profit Organizations.

### **Revenue Recognition**

Revenue from contributions is recognized using the deferral method. Under this method, restricted contributions and investment income are recognized in the period the related expenses are incurred or the restrictions are met.

Unrestricted revenue is recognized when received or receivable, if the amount can be reasonably estimated and collection is reasonably assured. However, to the extent revenue is for services rendered, such revenue is recognized at the time services are provided.

### **Cash and Cash Equivalents**

Cash and cash equivalents consist of cash on deposit and short-term deposits with initial maturity terms equal to or less than 90 days.

### **Financial Instruments**

The Trust initially measures its financial instruments at fair value, except for certain non-arm's length transactions that are measured at the exchange amount. The Trust subsequently measures all its financial instruments at amortized cost. Financial instruments measured at amortized cost include cash and accounts payable and accrued liabilities.

Financial assets measured at amortized cost are tested for impairment at the end of each year, and the amount of any writedown, if any, is recognized in the statement of operations. A previously recognized impairment loss may be reversed to the extent of the improvement and the amount of reversal is recognized in the statement of operations. The reversal may be recorded provided it is no greater than the amount that has previously been reported as a reduction in the asset and it does not exceed original cost.

### **Use Of Estimates**

The preparation of financial statements in accordance with Canadian Accounting Standards for Not-for-Profit Organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. The significant estimates are the estimates for accounts payable and accrued liabilities. Actual results could differ from those estimates.

Notes continued on page 8....

**Walpole Island Land Trust**  
**Notes To Financial Statements**  
**December 31, 2018**

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**2. Deferred Revenue**

**2018**

**2017**

This balance represents funds received for which the related expenditure has not yet been made and consists of the following:

East Lake St. Clair Wind LP	\$ 14,926	\$ 8,373
ERIEAU Wind LP	7,465	4,187
Pointe-Aux-Roches Wind LP	8,342	5,298
Other	<u>4,287</u>	<u>-</u>
	<u>\$ 35,020</u>	<u>\$ 17,858</u>

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**3. Deferred Lease Funding**

The Walpole Island Land Trust entered into a lease for a parcel of land. The lease expires November, 2019. The total lease was paid in advance as funding was made available to do so. The annual cost of \$4,285 will be expensed in the period associated with the expenditure. Funding totaling \$42,850 has been obtained, with the restriction from the contributor that it be used to pay the lease costs for this parcel of land. This donation will be recognized in revenue in the same period as the associated lease expense in the amount of \$4,285.

	<b>2018</b>	<b>2017</b>
Balance of Deferred Lease Funding	\$ <u>4,285</u>	\$ <u>8,570</u>

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**4. Financial Instruments Risks Disclosures**

The main risks the Trust's financial instruments are exposed to are credit risk, liquidity risk, and market risk each of which is discussed below.

**Credit Risk**

The Trust is exposed to credit risk in the event of non-payment by their contributors in relation to their signed funding agreements. The Trust believes there is minimal risk associated with these amounts as all funding agreements are received as scheduled with no outstanding balances at year end.

**Liquidity Risk**

Liquidity risk relates to the risk the Trust will encounter difficulty in meeting its obligations associated with financial liabilities. The financial liabilities on its balance sheet consist of accounts payable and accrued liabilities. Management closely monitors cash flow requirements to ensure that it has sufficient cash on demand to meet operational and financial obligations.

Notes continued on page 9....



**4. Financial Instruments Risks Disclosures cont'd...**

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**Market Risk (Price Risk)**

Market risk is the risk that changes in market prices and interest rates will affect the Trust's net assets or the value of financial instruments. These risks are generally outside the control of the Trust. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

*Currency Risk*

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Trust's financial instruments are all in Canadian dollars and consequently the Trust has no currency risk.

*Interest Rate Risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Trust is not exposed to interest rate risk.

*Other Price Risk*

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from currency risk and interest rate risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Trust is not exposed to other price risk.

**Changes in Financial Instruments Risks Disclosures**

There have been no significant changes to the risk exposures from the prior year.