CONSERVATION MANITOU

Financial Statements

December 31, 2019

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INDEPENDENT AUDITOR'S REPORT

To the Directors of
CONSERVATION MANITOU

Qualified Opinion

We have audited the financial statements of **CONSERVATION MANITOU** (the Corporation), which comprise the balance sheet as at December 31, 2019, 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 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 Corporation as at December 31, 2019, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Qualified Opinion

In common with many charitable organizations, the Corporation derives revenues from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our audit of these revenues was limited to the amounts recorded in the records of the Corporation and we were not able to determine whether any adjustments might be necessary to donations, excess of revenues over expenses, current assets 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 Corporation 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.

BCGO S.E.N.C.R.L.
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In preparing the financial statements, management is responsible for assessing the Corporation'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 Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting 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 Corporation's internal control.

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- 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 Corporation'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 Corporation 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.

BCGO s.e.n.c.r.l.[1]

Montréal
May 1st, 2020

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[1] By CPA auditor, CA, public accountancy permit No. A131696

CONSERVATION MANITOU

Statement of Operations
Year Ended December 31

	2019	2018
REVENUES		
Donations of conservation lands	$ -	$ 655,000
Donations and grants	65,868	163,763
	65,868	818,763
OPERATING EXPENSES		
Property taxes	4,902	5,622
Insurance	2,526	3,347
Professional fees	5,375	5,374
Miscellaneous	6,147	2,452
	18,950	16,795
EXCESS OF REVENUES OVER EXPENSES FROM OPERATIONS	46,918	801,968
OTHER REVENUES (EXPENSES)		
Investment income	7,944	3,565
Increase (decrease) in fair value of investments measured at fair value	7,719	(9,810)
	15,663	(6,245)
EXCESS OF REVENUES OVER EXPENSES	$ 62,581	$ 795,723

The accompanying notes are an integral part of these financial statements.

CONSERVATION MANITOU

Changes in Net Assets
Year Ended December 31, 2019

	Stewardship Fund (note 3)	Unrestricted	Invested in conservation lands	2019 Total	2018 Total
BALANCE, BEGINNING OF YEAR	**$ 136,000**	**$ 19,389**	**$ 5,474,355**	**$ 5,629,744**	$ 4,834,021
Excess of revenues over expenses	**-**	**62,581**	**-**	**62,581**	795,723
Transfer of unrestricted net assets to Stewardship Fund (note 3)	**34,000**	**(34,000)**	**-**	**-**	-
Invested in conservation lands	**-**	**(917)**	**917**	**-**	-
BALANCE, END OF YEAR	**$ 170,000**	**$ 47,053**	**$ 5,475,272**	**$ 5,692,325**	$ 5,629,744

The accompanying notes are an integral part of these financial statements.

CONSERVATION MANITOU

Balance Sheet
As at December 31

		2019		2018
ASSETS				
CURRENT ASSETS				
Cash	**$**	**53,280**	$	22,681
Accounts receivable (note 4)		**374**		18,084
Prepaid expenses		**1,239**		1,114
		54,893		41,879
INVESTMENTS (note 5)		**167,909**		126,190
CONSERVATION LANDS (note 6)		**5,475,272**		5,474,355
	$	**5,698,074**	$	5,642,424
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable and accrued liabilities	**$**	**5,749**	$	12,680
NET ASSETS				
UNRESTRICTED OPERATING SURPLUS		**47,053**		19,389
STEWARDSHIP FUND (note 3)		**170,000**		136,000
INVESTED IN CONSERVATION LANDS		**5,475,272**		5,474,355
		5,692,325		5,629,744
	$	**5,698,074**	$	5,642,424

APPROVED ON BEHALF OF THE BOARD:

__________________________, Director

__________________________, Director

__________________________, Director

The accompanying notes are an integral part of these financial statements.

CONSERVATION MANITOU

Cash Flows

Year Ended December 31	**2019**	2018
OPERATING		
Excess of revenues over expenses	**$ 62,581**	$ 795,723
Non-cash items:		
Donations of conservation lands	**-**	(655,000)
Loss on disposal of investments	**-**	215
Decrease (increase) in fair value of investments measured at fair value	**(7,719)**	9,810
	54,862	150,748
Net change in non-cash items related to operating activities:		
Accounts receivable	**17,710**	(17,899)
Prepaid expenses	**(125)**	2,734
Accounts payable and accrued liabilities	**(6,931)**	4,958
	65,516	140,541
INVESTING		
Acquisition of conservation lands	**(917)**	(64,360)
Acquisition of investments	**(34,000)**	(150,876)
Proceeds from disposal of investments	**-**	14,661
	(34,917)	(200,575)
INCREASE (DECREASE) IN CASH	**30,599**	(60,034)
CASH, BEGINNING OF YEAR	**22,681**	82,715
CASH, END OF YEAR	**$ 53,280**	$ 22,681

The accompanying notes are an integral part of these financial statements.

1. STATUTES AND NATURE OF ACTIVITIES

The Corporation is a public foundation, incorporated under the Canada Business Corporations Act as a not-for-profit corporation, and is a registered charity under the Income Tax Act. The Corporation is also a qualified recipient under Environment and Climate Change Canada's Ecological Gift Program. The Corporation's purpose is to protect, preserve and conserve in perpetuity, for the benefit of the present and future members of the local communities and related public interests, natural environments and landscapes with high ecological, heritage and aesthetic value located in the region of Lake Manitou, Québec.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. Outlined below are those policies considered particularly significant for the Corporation.

Use of estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-profit organizations requires management to make assumptions and estimates that might affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses for the period reported. Actual results could differ from those estimates.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and highly liquid investments with maturity of less than three months from the purchase date.

Revenue recognition

The Corporation follows the deferral method of accounting for contributions, which include donations and grants. Unrestricted contributions and restricted contributions to the Stewardship Fund are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Other restricted contributions are recognized as revenue in the year in which the related expenses are incurred.

Investment income is recognized when earned.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributed services

In the course of its activities, the Corporation uses the services of volunteers. Because it is difficult to determine their fair value, these contributed services are not recognized in these financial statements.

Conservation lands

Purchased conservation lands are recorded at cost when title is transferred. The purchases and related capitalized expenses are recorded as net assets invested in conservation lands.

Donated conservation lands are recorded at fair market value when title is transferred. The donations and related capitalized costs are recorded as net assets invested in conservation lands.

Financial instruments

Measurement of financial instruments

The Corporation measures its financial assets and financial liabilities at fair value upon initial recognition, except for financial instruments arising from related party transactions, which are usually measured at carrying value when they result from transactions not in the normal course of business or at exchange value in other circumstances.

The Corporation subsequently measures its financial assets and financial liabilities at their amortized cost, except for investments in equity instruments that are quoted in an active market and derivative contracts, which are measured at fair value. Changes in fair value of these instruments are recorded in income.

Financial assets measured at fair value consist of preferred shares included in investments. The fair value of the preferred shares are determined by the investment fiduciary.

Financial assets measured at amortized cost using the straight-line method consist of cash and accounts receivable.

Financial liabilities measured at amortized cost using the straight-line method consist of accounts payable and accrued liabilities.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Depreciation

At the end of each reporting period, the Corporation assesses whether there are any indications that financial assets measured at amortized cost are impaired. When there are indications that there may be an impairment, the carrying amount of the financial asset is reduced to the highest of the three following amounts:

- the present value of the cash flows expected to be generated by holding the asset using a current market rate;
- the amount that could be realized by selling the asset;
- the amount that could be realized from collateral.

The amount of the impairment loss is recognized in income. When the extent of an impairment previously recognized decreases, the write-down is reversed and also recognized in income.

Transaction costs

Transaction costs related to financial instruments that are subsequently measured at fair value are recorded in income in the period during which they are incurred. Transaction costs related to financial instruments subsequently measured at amortized cost are added to financial assets or deducted from financial liabilities.

3. CAPITAL CAMPAIGN

In 2016, the Corporation launched a capital campaign to repay the balance of purchase price and create a Stewardship Fund to cover the carrying cost of its conservation lands. The Corporation collected $34,000 ($86,000 in 2018) in donations related to the capital campaign and applied the full amount (full amount in 2018) towards the Stewardship Fund, the balance of purchase price having been fully repaid in 2017.

4. ACCOUNTS RECEIVABLE

	2019	2018
Sales taxes	$ 374	$ 809
Municipal and school taxes refund	-	2,610
Grants	-	14,665
	$ 374	$ 18,084

5. INVESTMENTS

	2019	2018
Cash	$ 4,716	$ 598
Preferred shares	163,193	125,592
	$ 167,909	$ 126,190

Investments are classified as long-term assets because the intention of the Corporation is to hold on to these investments for an extended period of time.

6. CONSERVATION LANDS

Conservation lands, totalling approximately 1,330 acres of forests, wetlands, hilltops and shorelines located in the municipalities of Ivry-sur-le-Lac, Sainte-Agathe-des-Monts and Saint-Faustin-Lac-Carré, either purchased or donated, are assets held as part of the Corporation's portfolio, and consist of the following:

	2019	2018
Balance - beginning of year	$ 5,474,355	$ 4,754,995
Value of donated land	-	655,000
Cost of purchased land	-	30,000
Transfer taxes	175	5,489
Notary fees	742	8,622
Environmental consulting	-	17,669
Appraisals, surveys and other	-	2,580
	$ 5,475,272	$ 5,474,355

7. RELATED PARTY TRANSACTIONS

During the year, the Corporation received donations from its directors of $3,000 ($3,050 in 2018).

8. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Market risk

Market risk is the risk that the fair value of a financial instrument fluctuates because of changes in market prices resulting from changes in foreign exchange rates, interest rates, stock exchange indicators and the level of volatility of these rates and indicators. The Corporation is exposed to market risk with regards to its investments.

Liquidity risk

Liquidity risk is the risk that the Corporation will encounter difficulty in meeting its obligations associated with financial liabilities. The exposure of the Corporation to liquidity risk relates mainly to accounts payable an accrued liabilities.

9. DISCLOSURE OF GUARANTEES

In order to guarantee the obligations contained in the "agreement concerning the protection of wildlife habitat" signed between "La Fondation de la Faune du Québec" and the Corporation on November 28, 2018, conservation lands were mortgaged for an amount of $17,000.

10. COMPARATIVE FIGURES

Certain figures for 2018 have been reclassified to make their presentation identical to that adopted in 2019.