

THE EARTH RANGERS FOUNDATION

FINANCIAL STATEMENTS

DECEMBER 31, 2015



INDEPENDENT AUDITORS' REPORT

To the Members of **The Earth Rangers Foundation**

We have audited the accompanying financial statements of The Earth Rangers Foundation, which comprise the statement of financial position as at December 31, 2015, and the statements of operations and net assets, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Foundation's preparation and fair presentation of the 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 Foundation'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 financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of The Earth Rangers Foundation as at December 31, 2015, and its financial performance and its cash flows for the year in accordance with Canadian accounting standards for not-for-profit organizations.



Mississauga, Ontario
February 23, 2016

CHARTERED ACCOUNTANTS
LICENSED PUBLIC ACCOUNTANTS

THE EARTH RANGERS FOUNDATION

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2015

	2015	2014
ASSETS		
Current		
Cash and cash equivalents	\$ 1,387,000	\$ 889,924
Accounts receivable (Note 8)	449,133	230,208
HST rebate recoverable	82,521	95,998
Prepaid expenses	86,811	79,779
	<u>2,005,465</u>	<u>1,295,909</u>
Capital assets (Note 3)	21,301,324	21,936,037
Prepaid lease (Note 4)	784,398	817,074
	<u>\$ 24,091,187</u>	<u>\$ 24,049,020</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 8)	\$ 226,609	\$ 320,650
Deferred revenue	684,679	328,583
Deferred contributions (Note 5)	991,754	558,390
Current portion of obligation under capital lease (Note 6)	-	110,852
	<u>1,903,042</u>	<u>1,318,475</u>
Contributions used to fund capital assets (Note 7)	21,301,324	21,936,037
	<u>23,204,366</u>	<u>23,254,512</u>
COMMITMENTS (Note 10)		
NET ASSETS		
	<u>886,821</u>	<u>794,508</u>
	<u>\$ 24,091,187</u>	<u>\$ 24,049,020</u>

Approved on behalf of the board

Director _____

Director _____

See accompanying notes to the financial statements



THE EARTH RANGERS FOUNDATION

STATEMENT OF OPERATIONS AND NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2015

	Programs 2015	Other 2015	Total 2015	Programs 2014	Other 2014	Total 2014 (note 11)
Revenue						
Corporations and other donations	\$ 496,335	\$ 464,187	\$ 960,522	\$ 1,072,441	\$ 81,976	\$ 1,154,417
The Schad Foundation donation (Note 5)	-	671,001	671,001	-	1,193,604	1,193,604
Government and other grants	1,407,036	-	1,407,036	744,970	-	744,970
Other	228,653	90,043	318,696	316,320	21,915	338,235
Sponsorship	1,348,707	-	1,348,707	1,449,781	-	1,449,781
Amortization of contributions to fund capital assets (Note 7)	-	1,030,349	1,030,349	-	1,171,325	1,171,325
Interest	-	2,270	2,270	-	3,370	3,370
	<u>3,480,731</u>	<u>2,257,850</u>	<u>5,738,581</u>	<u>3,583,512</u>	<u>2,472,190</u>	<u>6,055,702</u>
Expenses						
Operating	3,367,073	1,135,188	4,502,261	3,445,408	1,275,581	4,720,989
Depreciation of capital assets	-	1,030,349	1,030,349	-	1,171,325	1,171,325
External program costs	113,658	-	113,658	138,104	-	138,104
	<u>3,480,731</u>	<u>2,165,537</u>	<u>5,646,268</u>	<u>3,583,512</u>	<u>2,446,906</u>	<u>6,030,418</u>
Excess of revenue over expenses for the year	-	92,313	92,313	-	25,284	25,284
Net assets, beginning of year	-	794,508	794,508	-	769,224	769,224
Net assets, end of year	<u>\$ -</u>	<u>\$ 886,821</u>	<u>\$ 886,821</u>	<u>\$ -</u>	<u>\$ 794,508</u>	<u>\$ 794,508</u>

See accompanying notes to the financial statements



THE EARTH RANGERS FOUNDATION

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2015

	2015	2014
Cash flows from operating activities		
Excess of revenue over expenses	\$ 92,313	\$ 25,284
Adjustments for items not affecting cash		
Depreciation of capital assets	1,030,349	1,171,325
Amortization of prepaid lease	32,676	32,676
Amortization of contributions used to fund capital assets	(1,030,349)	(1,171,325)
Change in non-cash working capital items (Note 9)	<u>482,939</u>	<u>(137,297)</u>
	<u>607,928</u>	<u>(79,337)</u>
Cash flows from investing activities		
Purchase of capital assets	<u>(395,636)</u>	<u>(304,141)</u>
Cash flows from financing activities		
Obligation under capital lease	(110,852)	(110,852)
Contributions restricted for capital purposes	<u>395,636</u>	<u>304,141</u>
	<u>284,784</u>	<u>193,289</u>
Increase (decrease) in cash and cash equivalents	497,076	(190,189)
Cash and equivalents, beginning of year	<u>889,924</u>	<u>1,080,113</u>
Cash and equivalents, end of year	<u>\$ 1,387,000</u>	<u>\$ 889,924</u>

See accompanying notes to the financial statements



THE EARTH RANGERS FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2015

1. DESCRIPTION

The Earth Rangers Foundation ("Earth Rangers") was incorporated under Letters Patent on June 10, 1999 and its objectives were amended by Supplementary Letters Patent on March 2, 2011. Charitable status was received retroactive to November 1, 2000. On April 9, 2014, Earth Rangers approved Articles of Continuance to continue the Corporation from the Canada Corporations Act to the Canada Not-for-profit Corporations Act.

Earth Rangers' registration number is 89220 0528 RR0001.

The objectives of Earth Rangers are summarized as follows:

- (a) To preserve, protect, restore and improve the natural resources and environment.
- (b) To educate and increase the public's understanding of natural ecosystems by:
 - (i) establishing, providing, promoting, operating, maintaining, assisting or supporting qualified donees that have as their charitable purposes the protection, conservation or restoration of natural ecosystems;
 - (ii) educating young people about natural ecosystems, biodiversity and preservation activities and conserving natural ecosystems through programming including seminars, conferences, public forums, television programming, live shows and internet programs.
- (c) To receive and maintain a fund or funds and to apply all or part of the principal and income therefrom, from time to time:
 - (i) to and for the benefit of other qualified donees as the Board of Directors may determine, having charitable purposes and objects similar to the corporation, and/ or
 - (ii) for charitable purposes of an educational nature, and in particular, to provide scholarships, fellowships, bursaries, prizes and financial assistance to young Canadians, and to provide equipment, furnishings, teaching aids, and supplies to educational institutions in Canada and to educational institutions outside Canada who are qualified donees under the provisions of the Income Tax Act (Canada).
- (d) To do all such other things as are incidental and ancillary to the above listed objects of the Corporation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. The significant accounting policies are as follows:

(a) Cash and cash equivalents

Cash equivalents consist principally of money market funds and other highly liquid interest-bearing instruments with original maturities of three months or less.



THE EARTH RANGERS FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

(b) Capital assets

Purchased capital assets are recorded at historical cost and donated capital assets are recorded at fair value at the date of contribution. Earth Rangers provides for depreciation using the straight-line method at rates designed to depreciate the cost of the capital assets over their estimated useful lives. The annual depreciation rates are as follows:

Building	Straight-line	40 years
Shows	Straight-line	3 years
Asset under capital lease	Straight-line	5 years
Furniture, fixtures, tools and equipment	Straight-line	10 years
Medical equipment	Straight-line	10 years
Automotive equipment	Straight-line	10 years
Data and AV equipment	Straight-line	5 years
Website	Straight-line	3 years
Land Improvements	Straight-line	10 years

No depreciation is recorded for construction in progress and shows under development until they are substantially complete and ready for productive use.

Costs directly related to the development of shows are included in capital assets when Earth Rangers can reliably demonstrate that there is a future economic benefit associated with these costs. These costs are expensed over their estimated useful lives which is the number of years the shows are expected to be presented. Such costs are expensed immediately when there is insufficient evidence that the costs are recoverable.

Earth Rangers allocates salary and benefit costs related to personnel who work directly on the development of capital assets, including the website.

(c) Prepaid lease payments

Prepaid lease payments are amortized over the initial term of the lease.

(d) Revenue recognition

Earth Rangers follows the deferral method of accounting for contributions, which include donations and grants. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Pledges are recorded when received since they are not legally enforceable claims. Externally restricted contributions are deferred and recognized as revenue in the year in which the related expenses are recognized. Contributions used to fund capital assets are also deferred and amortized, and therefore recognized as income in the statement of operations and net assets on a straight-line basis over the estimated useful lives of the capital assets financed by those contributions.

Interest and dividend income is recorded on the accrual basis.

(e) Contributed services and materials

Contributed services are not recognized in the financial statements. Contributed materials are recognized in the financial statements at the fair market value when acquired.



THE EARTH RANGERS FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

(f) Segmented information shown on the Statement of Operations and Net Assets

"Programs" represent expenses related to program activities that are funded by corporations and other third parties, as well as by The Schad Foundation in the event of a deficit.

"Other" represents non-program expenses that are primarily funded by The Schad Foundation.

Operating expenses are allocated between "programs" and "other" based on the function to which the expenses are directly related.

(g) Use of estimates

The preparation of financial statements in conformity 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 at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. By their nature, these estimates are subject to measurement uncertainty. The effect of changes in such estimates on the financial statements in future periods could be significant.



THE EARTH RANGERS FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2015

3. CAPITAL ASSETS

	<i>Cost</i>	<i>Accumulated Depreciation</i>	<i>2015 Net</i>
Building	\$ 26,224,102	\$ 6,277,019	\$ 19,947,083
Medical equipment	47,368	47,352	16
Automotive equipment	81,577	52,016	29,561
Furniture, fixtures, tools and equipment	2,139,004	1,830,964	308,040
Land improvements	1,634,704	1,550,897	83,807
Construction in progress	296,809	-	296,809
Website	3,374,364	3,153,140	221,224
Data and AV equipment	1,532,521	1,137,764	394,756
Shows	937,853	917,826	20,027
	<u>\$ 36,268,302</u>	<u>\$ 14,966,978</u>	<u>\$ 21,301,324</u>

	<i>Cost</i>	<i>Accumulated Depreciation</i>	<i>2014 Net</i>
Building	\$ 26,134,380	\$ 5,621,854	\$ 20,512,526
Medical equipment	47,368	47,095	273
Automotive equipment	81,577	47,741	33,836
Furniture, fixtures, tools and equipment	2,102,897	1,728,712	374,185
Land improvements	1,611,829	1,538,250	73,579
Construction in progress	296,809	-	296,809
Website	3,226,581	3,045,929	180,652
Data and AV equipment	1,230,881	951,949	278,932
Shows	918,527	910,645	7,882
Asset under capital lease	221,703	44,340	177,363
	<u>\$ 35,872,552</u>	<u>\$ 13,936,515</u>	<u>\$ 21,936,037</u>

Included in furniture, fixtures, tools and equipment is \$39,229 (2014 - \$39,229) worth of artwork that is not subject to depreciation.

4. PREPAID LEASE AND LEASE OBLIGATION

In 2002, Earth Rangers entered into a lease agreement with the Toronto Region Conservation Authority for the rental of land within the Kortright Centre for Conservation. Earth Rangers currently operates out of a building constructed on the rented land. The lease was fully paid in a prior year for a period that covers up to July 31, 2042. The lease can be extended for a minimum of another 40 years at no cost. The lease payments have been recorded as a prepaid lease on the statement of financial position and are being amortized over the initial lease term on a straight-line basis.



THE EARTH RANGERS FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2015

5. DEFERRED CONTRIBUTIONS

Deferred contributions represent unspent externally restricted donations and grants. These contributions are expected to be used for operating expenses in the next fiscal year and therefore are classified as current liabilities. The changes in the deferred contributions balance are as follows:

	2015	2014
Balance, beginning of year	\$ 558,390	\$ 556,136
Amount of externally restricted donations received (Note 8)	1,500,000	1,500,000
Deferred contributions recognized as donations revenue	(671,001)	(1,193,604)
Transfer of deferred contributions to fund capital assets (Note 7)	<u>(395,635)</u>	<u>(304,142)</u>
	<u>\$ 991,754</u>	<u>\$ 558,390</u>

6. OBLIGATION UNDER CAPITAL LEASE

In 2013, Earth Rangers entered into a capital lease for improvements to their information technology infrastructure. The capital lease obligation was paid off by quarterly instalments of \$27,713 and bore no interest. During the year, the obligation under the lease was fully paid off and the option to purchase the asset was exercised.

7. CONTRIBUTIONS USED TO FUND CAPITAL ASSETS

These contributions represent the unamortized amount of contributions received for the purchase of capital assets. The amortization of these deferred contributions is recorded as revenue in the statement of operations and net assets. The change in this balance is as follows:

	2015	2014
Balance, beginning of year	\$ 21,936,037	\$ 22,803,221
Restricted contributions transferred from deferred contributions (Note 5)	395,636	304,141
Amortization	<u>(1,030,349)</u>	<u>(1,171,325)</u>
	<u>\$ 21,301,324</u>	<u>\$ 21,936,037</u>



THE EARTH RANGERS FOUNDATION

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DECEMBER 31, 2015

8. RELATED PARTY TRANSACTIONS

Robert Schad is a director and officer of Earth Rangers and The Schad Foundation, and also owns Athena Automation Ltd. Transactions with related parties are described below. These transactions occurred at the exchange amount which is the amount of consideration established and agreed to by the related parties.

- (a) Earth Rangers received donations of \$1,500,000 (2014 - \$1,500,000) from The Schad Foundation which were recorded as deferred contributions (Note 5). Without the continued support of The Schad Foundation, Earth Rangers may not be able to continue delivering programs at their current levels.
- (b) Earth Rangers offers information services as well as administrative services to the Schad Foundation and Robert Schad. For the year ended December 31, 2015, these related parties were invoiced \$71,258 and \$2,035 for services performed for the Schad Foundation and Robert Schad respectively.

Earth Rangers receives administrative services from the Schad Foundation. For the year ended December 31, 2015, Earth Rangers was invoiced \$22,500 for these services. Earth Rangers was also invoiced \$6,019 for board meeting expenses from Robert Schad.

As at December 31, 2015, Earth Rangers has the following amounts due from (to) related parties for these services:

	2015	2014
Robert Schad	\$ (6,019)	\$ (3,511)
The Schad Foundation	<u>8,881</u>	<u>-</u>
	<u>\$ 2,862</u>	<u>\$ (3,511)</u>

9. CHANGE IN NON-CASH WORKING CAPITAL

	2015	2014
Accounts receivable	\$ (218,925)	\$ 89,489
Prepaid expenses	(7,032)	(6,539)
Accounts payable and accrued liabilities	(94,041)	(70,021)
HST rebate recoverable	13,477	17,854
Deferred revenue	356,096	(170,334)
Deferred contributions	<u>433,364</u>	<u>2,254</u>
	<u>\$ 482,939</u>	<u>\$ (137,297)</u>



THE EARTH RANGERS FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2015

10. COMMITMENTS

As at December 31, 2015, Earth Rangers has the following outstanding commitments with respect to leased vehicles:

2016	\$ 35,117
2017	33,928
2018	<u>20,985</u>
	<u>\$ 90,030</u>

11. COMPARATIVE FIGURES

The statement of operations has been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year excess of revenue over expenses.

12. FINANCIAL INSTRUMENTS

Financial instruments consist of recorded amounts of accounts receivable which will result in future cash receipts, as well as accounts payable and accrued liabilities which will result in future cash outlays.

It is management's opinion that Earth Rangers is not exposed to significant currency, credit, interest rate or liquidity risk.

There have been no changes to management's assessment of their exposure to the above risks from the prior year.

