
Financial Statements

**FRIENDS OF RURAL COMMUNITIES
AND THE ENVIRONMENT (FORCE)**

December 31, 2011

FRIENDS OF RURAL COMMUNITIES AND THE ENVIRONMENT (FORCE)

DECEMBER 31, 2011

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MARTYN, DOOLEY & PARTNERS LLP
CHARTERED ACCOUNTANTS

www.mdp.on.ca

Suite 200
4230 Sherwoodtowne Blvd.
Mississauga, Ontario L4Z 2G6

T 905.279.7500
F 905.279.9300
E mdp@mdp.on.ca

INDEPENDENT AUDITORS' REPORT

To the Members:

We have audited the accompanying financial statements of Friends of Rural Communities and the Environment (FORCE) as at December 31, 2011, and the statement of changes in net assets and the statement of operations, which comprise the statement of financial position 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 generally accepted accounting principles, 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 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 judgement, 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 entity's presentation 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 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 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 non-profit organizations, Friends of Rural Communities and the Environment (FORCE) derives part of its revenue from the general public in the form of contributions and fund raising, the completeness of which are not susceptible to satisfactory audit verification. Accordingly, our verification of revenue from this source was limited to accounting for the amounts recorded in the records of the organization and we were not able to determine whether any adjustments might be necessary to contributions, fund raising and other revenue, excess of revenue over expense for the year, assets and net assets.

Qualified Opinion

In our opinion, except for the effects of the matter described in the 'Basis for Qualified Opinion Paragraph', the financial statements present fairly, in all material respects, the financial position of Friends of Rural Communities and the Environment (FORCE) as at December 31, 2011 and its financial performance for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants
Licensed Chartered Accountants

Mississauga, Canada

February 10, 2012

FRIENDS OF RURAL COMMUNITIES AND THE ENVIRONMENT (FORCE)
Statement of Financial Position
December 31, 2011

	2011	2010
Assets		
Cash short term deposits	\$ 19,751	\$ 33,170
Internally restricted short term deposits	100,000	110,000
Cash held in trust	128,598	192,037
Other current assets	7,000	7,920
	\$ 255,349	\$ 343,127
Liabilities and Net Assets		
Accounts payable and accrued liabilities	\$ 3,593	\$ 39,397
Externally restricted deferred contributions (Note 4)	128,598	192,037
	132,191	231,434
Net Assets		
Restricted net assets, hearing fund (Note 5)	100,000	110,000
Unrestricted net assets	23,158	1,693
	123,158	111,693
	\$ 255,349	\$ 343,127

See accompanying notes to the financial statements

On behalf of the Board

Director _____

Director _____

FRIENDS OF RURAL COMMUNITIES AND THE ENVIRONMENT (FORCE)

Statement of Changes in Net Assets

Year Ended December 31, 2011

	Internally Restricted	Unrestricted	2011	2010
Net Assets				
Balance, Beginning of Year	\$ 110,000	\$ 1,694	\$ 111,694	\$ 159,095
Excess of Revenue over Expenses	-	11,464	11,464	(87,401)
Transfer from Restricted funds	(10,000)	10,000	-	-
Balance, End of Year	\$ 100,000	\$ 23,158	\$ 123,158	\$ 71,694

FRIENDS OF RURAL COMMUNITIES AND THE ENVIRONMENT (FORCE)**Statement of Operations****Year Ended December 31, 2011**

	2011	2010
Revenue		
Environmental Defence Canada case support (Note 6)	\$ 34,374	\$ 67,399
Individual contributions	2,630	11,665
Gala	15,771	-
Golf Day	3,176	-
Interest	2,005	1,127
	<u>57,956</u>	<u>80,191</u>
Allocation from (to) externally restricted deferred contributions	63,439	(342)
	<u>121,395</u>	<u>79,849</u>
Expenses		
Technical Experts		
Ecology	542	546
Hydrogeology	1,119	14,061
Legal	87,390	73,855
Planning	10,704	28,930
Research Materials	-	53
	<u>99,755</u>	<u>117,445</u>
Community Activities		
Community Meeting Expenses	-	20
DonorPerfect	2,821	3,666
Distribution Costs	827	7,441
Printing	2,614	5,481
Newspaper Advertising	-	17,028
MZO Celebration	-	8,486
Signage	-	3,068
	<u>6,262</u>	<u>45,190</u>
Expenses Related to Incorporation		
Insurance	2,487	2,414
Operating Costs		
Bank Service Charges	35	35
Meeting Expenses	254	257
Memberships	396	396
Office Supplies	105	452
Parking	41	75
Telephone	596	986
	<u>1,427</u>	<u>2,201</u>
	<u>109,931</u>	<u>167,250</u>
Excess (Shortfall) of Revenue over Expenses	\$ 11,464	\$ (87,401)

See accompanying notes to the financial statements

FRIENDS OF RURAL COMMUNITIES AND THE ENVIRONMENT (FORCE)

Notes to the Financial Statements

December 31, 2011

1. Purpose of Organization

Friends of Rural Communities and the Environment (FORCE) is a volunteer, non-profit organization dedicated to preserve and protect the environment, including quality of life for the residents and ratepayers, flora and fauna, air quality, and water quality and quantity in their local communities.

Friends of Rural Communities and the Environment (FORCE) is a registered non-profit organization under the Income Tax Act.

2. Summary of Significant Accounting Policies

(a) Revenue Recognition

Friends of Rural Communities and the Environment (FORCE) follows the deferral method of accounting for contributions. Externally restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted and internally restricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

(b) Expenditures

Expenditures are recorded on an accrual basis.

(c) Capital Assets

Capital assets are expensed as incurred. No amounts were charged to operations during the current year.

(d) Volunteers

The work of Friends of Rural Communities and the Environment (FORCE) is dependent on the voluntary services of many members. Since these services are not normally purchased by the Organization, and because of the difficulty in determining their fair value, contributed services are not recognized in these financial statements.

(e) Income Taxes

As a not-for-profit organization, the association is not liable for income taxes.

(f) Use of Estimates

The preparation of these financial statements requires management to make estimates and assumptions that affect revenue and expenses during the reporting periods, in addition to the reported amounts of assets and liabilities at the date of the financial statements. Actual results could differ from these estimates.

3. Statement of Cash Flows

A statement of cash flows has not been presented, as it would not provide any additional meaningful information.

FRIENDS OF RURAL COMMUNITIES AND THE ENVIRONMENT (FORCE)

Notes to the Financial Statements

December 31, 2011

4. Externally Restricted Deferred Contributions

Externally restricted deferred contributions represent resources held in trust and intended for expert fees related to expected future judicial hearings.

5. Internally Restricted for Hearing Fund

In 2011 the directors allocated \$10,000 from the internally restricted hearing fund to cover 2011 hearing costs. This leaves a balance of \$100,000 to cover future hearing costs.

6. Environmental Defence Canada Case Support

FORCE has an ongoing strategic relationship with Environmental Defence (ED). The relationship allows FORCE supporters to contribute to ED on behalf of FORCE. ED in turn agrees to pay for various legal and technical experts expenses incurred by FORCE. ED collects a 10% administration fee as part of this arrangement.

	<u>2011</u>	<u>2010</u>
Contributions to ED on behalf of FORCE	\$ 38,380	\$ 75,076
ED administration fee	<u>4,006</u>	<u>7,677</u>
ED case support	<u>\$ 34,374</u>	<u>\$ 67,399</u>

7. Financial Instruments

Fair Value

The association's financial instruments recognized in the balance sheet consist of cash and short term deposits, accounts payable and accrued liabilities. The fair value of these instruments approximates their carrying amounts due to their short-term maturities. It is management's opinion that the organization is not exposed to significant interest, currency or credit risks arising from these financial instruments.