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Financial Statements

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

December 31, 2012

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

**DECEMBER 31, 2012**

**CONTENTS**

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	<b>Page</b>
<b>Auditors' Report</b>	
<b>Financial Statements</b>	
Statement of Financial Position	2
Statement of Net Assets	3
Statement of Operations	4
Notes to the Financial Statements	5-6



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## INDEPENDENT AUDITORS' REPORT

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### To the Members:

We have audited the accompanying financial statements of Friends of Rural Communities and the Environment (FORCE) as at December 31, 2012, 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, 2012 and its financial performance for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants  
Licensed Chartered Accountants

Mississauga, Canada

March 25, 2013

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

**Statement of Financial Position**

**December 31, 2012**

	2012	2011
<b>Assets</b>		
Cash short term deposits	\$ 39,677	\$ 19,751
Internally restricted short term deposits	100,000	100,000
Cash held in trust	94,107	128,598
Other current assets	9,482	7,000
	<u>\$ 243,266</u>	<u>\$ 255,349</u>
<b>Liabilities and Net Assets</b>		
Accounts payable and accrued liabilities	\$ 2,975	\$ 3,593
Externally restricted deferred contributions (Note 4)	94,107	128,598
	<u>97,082</u>	<u>132,191</u>
<b>Net Assets</b>		
Restricted net assets, hearing fund (Note 5)	100,000	100,000
Unrestricted net assets	46,184	23,158
	<u>146,184</u>	<u>123,158</u>
	<u>\$ 243,266</u>	<u>\$ 255,349</u>

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, 2012**

	Internally Restricted	Unrestricted	2012	2011
<b>Net Assets</b>				
<b>Balance, Beginning of Year</b>	\$ 100,000	\$ 23,158	\$ 123,158	\$ 111,694
Excess of Revenue over Expenses	-	23,026	23,026	11,464
<b>Balance, End of Year</b>	\$ 100,000	\$ 46,184	\$ 146,184	\$ 123,158

**FRIENDS OF RURAL COMMUNITIES AND THE ENVIRONMENT (FORCE)****Statement of Operations****Year Ended December 31, 2012**

	2012	2011
<b>Revenue</b>		
Environmental Defence Canada case support (Note 6)	\$ 52,592	\$ 34,374
Individual contributions	10,285	2,630
Gala	9,095	15,771
Golf Day	5,135	3,176
Interest	2,233	2,005
	<u>79,340</u>	<u>57,956</u>
Allocation from externally restricted deferred contributions	34,491	63,439
	<u>113,831</u>	<u>121,395</u>
<b>Expenses</b>		
<b>Technical Experts</b>		
Ecology	-	542
Hydrogeology	-	1,119
Legal	74,617	87,390
Planning	<u>74,617</u>	<u>10,704</u>
	74,617	99,755
<b>Community Activities</b>		
DonorPerfect	2,764	2,821
Distribution Costs	1,834	827
Printing	4,562	2,614
Signage	<u>3,153</u>	<u>-</u>
	12,313	6,262
<b>Expenses Related to Incorporation</b>		
Insurance	2,574	2,487
<b>Operating Costs</b>		
Bank Service Charges	57	35
Meeting Expenses	217	254
Memberships	396	396
Office Supplies	87	105
Parking	9	41
Telephone	<u>535</u>	<u>596</u>
	1,301	1,427
	<u>90,805</u>	<u>109,931</u>
<b>Excess of Revenue over Expenses</b>	<b>\$ 23,026</b>	<b>\$ 11,464</b>

See accompanying notes to the financial statements

**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, 2012

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### 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. In 2012, \$34,491 was transferred from the externally restricted deferred contributions and used to fund expert fees associated with judicial proceedings occurring within the year.

### 5. Internally Restricted for Hearing Fund

In 2012, there were no changes to the internally restricted hearing fund. It remains at \$100,000 to cover future hearing cost.

### 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.

	2012	2011
Contributions to ED on behalf of FORCE	\$ 58,656	\$ 38,380
ED administration fee	<u>6,064</u>	<u>4,006</u>
ED case support	<u>\$ 52,592</u>	<u>\$ 34,374</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.