

Financial Statements of

**ATLANTIC SALMON
FEDERATION (CANADA)**

Year ended September 30, 2017



KPMG LLP		
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Atlantic Salmon Federation (Canada)

We have audited the accompanying financial statements of Atlantic Salmon Federation (Canada), which comprise the statement of financial position as at September 30, 2017, the statements of operations, changes in net assets and cash flows for the year then ended, and notes comprising 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 our 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, we consider internal control relevant to the entity'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 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 audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Atlantic Salmon Federation (Canada) as at September 30, 2017, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Chartered Professional Accountants

Fredericton, Canada
January 16, 2018

ATLANTIC SALMON FEDERATION (CANADA)

Statement of Financial Position

September 30, 2017, with comparative information for 2016

	2017	2016
Assets		
Current assets:		
Cash	\$ 692,218	\$ 81,240
Accounts receivable	34,157	137,969
Unconditional promises to give (note 4)	73,235	116,000
Inventory	43,765	50,231
Prepaid expenses	98,961	146,160
	<u>942,336</u>	<u>531,600</u>
Receivable from Atlantic Salmon Federation (U.S.), Inc. (note 2)	408,442	543,826
Investments (note 3)	1,348,595	1,259,759
Long term unconditional promises to give (note 4)	75,681	127,717
Capital assets (note 5)	396,842	419,382
	<u>\$ 3,171,896</u>	<u>\$ 2,882,284</u>

Liabilities, Deferred Contributions and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities	\$ 288,101	\$ 278,349
Deferred revenue	64,673	91,583
	<u>352,774</u>	<u>369,932</u>
Deferred contributions (note 6):		
Related to Wild Salmon Nature Centre	318,859	348,268
For expenses of future periods	849,297	575,573
	<u>1,168,156</u>	<u>923,841</u>
Net assets:		
Invested in capital assets (note 7)	77,983	71,114
Externally restricted for endowments (note 8)	1,190,733	1,141,104
Internally restricted (note 9)	354,347	373,015
Unrestricted	27,903	3,278
	<u>1,650,966</u>	<u>1,588,511</u>
	<u>\$ 3,171,896</u>	<u>\$ 2,882,284</u>

See accompanying notes to financial statements.

On behalf of the Board:

Director

Director

ATLANTIC SALMON FEDERATION (CANADA)

Statement of Operations

Year ended September 30, 2017 with comparative information for 2016

	2017	2016
Revenues:		
Membership	\$ 74,396	\$ 76,117
Contributions	829,322	792,789
Dinners and raffles	947,732	1,028,515
Contributions from ASF (U.S.), Inc. (note 10)	2,444,700	2,246,517
Advertising	82,322	95,335
Wild Salmon Nature Centre	27,861	30,687
Interest	34,722	30,623
Realized gain on sale of investments	43,448	35,445
Unrealized gains (losses) on investments	(18,294)	53,428
Amortization of deferred capital contributions related to Wild Salmon Nature Centre	29,409	29,410
Miscellaneous	106,182	100,037
	4,601,800	4,518,903
Expenses:		
Conservation Programs:		
General	475,910	308,663
Advocacy	427,021	429,072
Regional Programs	770,781	636,626
	1,673,712	1,374,361
Education Programs:		
Publications	292,804	289,977
Public Information	174,369	292,749
Web Site	68,827	68,075
Outreach	10,319	31,585
Wild Salmon Nature Centre	57,271	60,097
	603,590	742,483
Research Programs	790,438	759,160
Administration	331,490	313,807
Facilities	248,798	229,213
Development	551,655	576,042
Dinners and raffles	389,291	394,008
	4,588,974	4,389,074
Excess of revenues over expenses	\$ 12,826	\$ 129,829

See accompanying notes to financial statements.

ATLANTIC SALMON FEDERATION (CANADA)

Statements of Cash Flows

Year ended September 30, 2017, with comparative information for 2016

	2017	2016
Cash provided by (used in):		
Operating activities:		
Excess of revenues over expenses	\$ 12,826	\$ 129,829
Items not involving cash:		
Unrealized losses (gains) on investments	18,294	(53,428)
Amortization of capital assets	55,229	50,128
Amortization of deferred capital contributions related to Wild Salmon Nature Center	(29,409)	(29,410)
Realized gain on sale of investments	(43,448)	(35,445)
Decrease in accounts receivable	103,812	21,511
Decrease (increase) in receivable from ASF US	135,384	(433,413)
Decrease in inventory	6,466	14,421
Decrease (increase) in prepaid expenses	47,199	(27,454)
Decrease in net unconditional promises to give	94,801	183,448
Increase in accounts payable and accrued liabilities	9,752	168,062
Increase (decrease) in deferred revenue	(26,910)	9,766
Increase (decrease) in deferred contributions for expenses of future periods	273,724	(84,585)
	657,720	(86,570)
Financing and investing activities:		
Acquisition of investments	(652,762)	(791,068)
Proceeds from sale of investments	589,080	767,636
Capital assets acquired	(32,689)	(20,972)
Endowment contributions and interest	49,629	6,594
	(46,742)	(37,810)
Increase (decrease) in cash position	610,978	(124,380)
Cash position, beginning of year	81,240	205,620
Cash position, end of year	\$ 692,218	\$ 81,240

See accompanying notes to the financial statements.

ATLANTIC SALMON FEDERATION (CANADA)

Statement of Changes in Net Assets

Year ended September 30, 2017

	Invested in capital assets	Externally restricted for endowments	Internally restricted	Unrestricted	Total
September 30, 2017					
Balance, beginning of year	\$ 71,114	\$ 1,141,104	\$ 373,015	\$ 3,278	\$ 1,588,511
Excess (deficiency) of revenues over expenses	(25,820)	-	-	38,646	12,826
Endowment contributions	-	45,636	-	-	45,636
Change in present value discounting	-	2,903	-	-	2,903
Interest allocated to endowments (note 8)	-	1,090	-	-	1,090
Net change in investment in capital assets (note 7)	32,689	-	-	(32,689)	-
Transfers (note 9)	-	-	(18,668)	18,668	-
Balance, end of year	<u>\$ 77,983</u>	<u>\$ 1,190,733</u>	<u>\$ 354,347</u>	<u>\$ 27,903</u>	<u>\$ 1,650,966</u>

	Invested in capital assets	Externally restricted for endowments	Internally restricted	Unrestricted	Total
September 30, 2016					
Balance, beginning of year	\$ 70,860	\$ 1,134,510	\$ 315,641	\$ (68,923)	\$ 1,452,088
Excess (deficiency) of revenues over expenses	(20,718)	-	-	150,547	129,829
Endowment contributions	-	-	-	-	-
Change in present value discounting	-	5,654	-	-	5,654
Interest allocated to endowments (note 8)	-	940	-	-	940
Net change in investment in capital assets (note 7)	20,972	-	-	(20,972)	-
Transfers (note 9)	-	-	57,374	(57,374)	-
Balance, end of year	<u>\$ 71,114</u>	<u>\$ 1,141,104</u>	<u>\$ 373,015</u>	<u>\$ 3,278</u>	<u>\$ 1,588,511</u>

ATLANTIC SALMON FEDERATION (CANADA)

Notes to Financial Statements

Year ended September 30, 2017

Atlantic Salmon Federation (Canada) (the Federation) is incorporated under the Quebec Companies Act and its principal activities include the promotion and conservation of the wild Atlantic salmon through education, enhancement, restoration, research and international cooperation. The Federation is a registered charity under the Income Tax Act and accordingly is exempt from income taxes, provided certain requirements of the Income Tax Act are met.

1. Significant accounting policies:

(a) General:

The financial statements have been prepared in accordance with Canadian Accounting Standards for Not-For-Profit Organizations in Part III of the CPA Handbook.

(b) Revenue recognition:

The Federation follows the deferral method of accounting for contributions.

Restricted contributions are subject to externally imposed donor stipulations specifying the purpose for which they must be used. Externally restricted contributions, other than endowment contributions, are recognized as revenue in the year in which the related expenses are recognized.

Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

Endowment contributions are a special type of restricted contribution where the externally imposed restriction is that the resources contributed must be maintained permanently. Endowment contributions from external parties are recognized as direct increases in endowment net assets.

All contributions that do not meet the definition of either a restricted or an endowment contribution are unrestricted contributions. Unrestricted contributions are recognized as revenue when received or receivable if the amount can be reasonably estimated and collection is reasonably assured.

Investment income available for distribution is recorded as unrestricted or as a direct increase in net assets for endowment purposes depending on the terms specified by the donor.

Revenue from memberships, Wild Salmon Nature Center, dinners and raffles, advertising and miscellaneous is recognized when the services are provided or goods are sold and collection is probable.

ATLANTIC SALMON FEDERATION (CANADA)

Notes to Financial Statements, continued
Year ended September 30, 2017

1. Significant accounting policies (continued):

(c) Unconditional promises to give:

Pledged contributions due in the next year are reflected as current assets and are recorded at their net realizable value. Where there is sufficient certainty of collection, pledged contributions due in subsequent years are reflected as long-term contributions receivable and are recorded at the present value of their net realizable value, discounted using the risk-free interest rates applicable to the years in which the pledges are to be received.

(d) Contributed services:

A substantial number of volunteers contribute a significant amount of their time each year to assist in fund raising and special projects. Because of the difficulty of determining the fair value, contributed services are not recognized in the financial statements.

(e) Capital assets:

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Amortization is provided using the straight-line method and annual rates:

Wild Salmon Nature Centre	3 1/3%
Office furniture and equipment	20% & 33 1/3%

(f) Inventory:

Inventory is recorded at the lower of cost on a first-in first-out basis, and replacement cost.

(g) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Federation has elected to carry all other investments at fair value. Settlement date accounting is used.

ATLANTIC SALMON FEDERATION (CANADA)

Notes to Financial Statements, continued

Year ended September 30, 2017

1. Significant accounting policies (continued):

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Federation determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Federation expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

(h) Use of estimates:

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of accounts receivable and unconditional promises to give, and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the report periods. Actual results could differ from those estimates.

(i) Asset impairment:

When a capital asset no longer has any long-term service potential to the Federation, the excess of its net carrying amount over and residual value is recognized as an expense in the statement of operations.

(j) Foreign currency translation:

The market values of investments listed in foreign currencies are translated into Canadian dollars at the year-end exchange rate. In calculating unrealized gains or losses on foreign securities, cost values are translated into Canadian dollars at the rate of exchange on the transaction date.

2. Receivable from Atlantic Salmon Federation (U.S.), Inc.:

The amount is unsecured and non-interest bearing. There are no specific terms of repayment.

ATLANTIC SALMON FEDERATION (CANADA)

Notes to Financial Statements, continued
Year ended September 30, 2017

3. Investments:

September 30, 2017	Fair market value		Cost
Cash and investment certificate	\$	142,900	\$ 142,900
Fixed income		306,843	303,840
Equities		898,852	682,980
	\$	1,348,595	\$ 1,129,720

September 30, 2016	Fair market value		Cost
Cash and investment certificate	\$	181,499	\$ 181,165
Fixed income		307,135	304,447
Equities		771,125	532,941
	\$	1,259,759	\$ 1,018,553

The fixed income investments have an effective interest rate of 1.50% to 4.77% (2016 - 1.60% to 4.77%) and mature between 2017 and 2020.

4. Unconditional promises to give:

	2017		2016	
	Temporarily restricted	Permanently restricted	Temporarily restricted	Permanently restricted
Total unconditional promises to give	\$ 47,235	\$ 105,790	\$ 103,500	\$ 148,617
Receivables in less than one year	22,235	51,000	66,000	50,000
Receivable in one to three years	25,000	54,790	37,500	98,617
Less discounts to net present value	1,423	2,686	2,811	5,589
Net receivable in one to five years	\$ 23,577	\$ 52,104	\$ 34,689	\$ 93,028

ATLANTIC SALMON FEDERATION (CANADA)

Notes to Financial Statements, continued

Year ended September 30, 2017

5. Capital assets:

			Accumulated		Net book
September 30, 2017	Cost		amortization		value
Wild Salmon Nature Centre	\$ 1,100,759	\$	750,687	\$	350,072
Office furniture and equipment	357,244		310,474		46,770
	\$ 1,458,003	\$	1,061,161	\$	396,842

			Accumulated		Net book
September 30, 2016	Cost		amortization		value
Wild Salmon Nature Centre	\$ 1,097,806	\$	721,278	\$	376,528
Office furniture and equipment	327,508		284,654		42,854
	\$ 1,425,314	\$	1,005,932	\$	419,382

ATLANTIC SALMON FEDERATION (CANADA)

Notes to Financial Statements, continued

Year ended September 30, 2017

6. Deferred contributions:

(a) For expenses of future periods:

Deferred contributions related to expenses of future periods and for future annual givings represent unspent externally restricted grants and donations for conservation, education and research purposes.

	2017	2016
Balance, beginning of year	\$ 575,573	\$ 660,158
Add: Contributions received related to expenses of future periods	713,243	394,247
	1,288,816	1,054,405
Less: Recognized in revenue in the year	439,519	478,832
Balance, end of year	\$ 849,297	\$ 575,573

	2017	2016
Conservation	\$ 205,210	\$ 176,559
Education	74,208	51,875
Research	569,879	347,139
	\$ 849,297	\$ 575,573

Deferred contributions related to expenses of future periods were released from donor restrictions by incurring expenses satisfying the purpose restrictions specified by donors as follows:

	2017	2016
Conservation	\$ 22,627	\$ 86,180
Education	15,500	-
Research	401,392	392,652
	\$ 439,519	\$ 478,832

ATLANTIC SALMON FEDERATION (CANADA)

Notes to Financial Statements, continued

Year ended September 30, 2017

6. Deferred contributions (continued):

(b) Deferred capital contributions related to Wild Salmon Nature Centre:

During 1996 and 1997 the Federation held a campaign to raise funds for capital and operating costs of a Wild Salmon Nature Centre. Deferred contributions related to the Wild Salmon Nature Centre represent the unamortized amount and unspent amount of contributions received for the capital and operating costs. The amortization of the expended contributions is recorded as revenue in the statement of operations.

	2017		2016	
Balance, beginning of year	\$	348,268	\$	377,678
Less: Amortization for the year		29,409		29,410
Balance, end of year	\$	318,859	\$	348,268

The balance consists of unamortized capital contributions used for construction.

7. Invested in capital assets:

(a) Invested in capital assets is calculated as follows:

	2017		2016	
Capital assets	\$	396,842	\$	419,382
Amounts financed by deferred contributions		(318,859)		(348,268)
	\$	77,983	\$	71,114

(b) Change in net assets invested in capital assets is calculated as follows:

	2017		2016	
Deficiency of revenues over expenses:				
Amortization of deferred contributions related to capital assets	\$	29,409	\$	29,410
Amortization of capital assets		(55,229)		(50,128)
	\$	(25,820)	\$	(20,718)

ATLANTIC SALMON FEDERATION (CANADA)

Notes to Financial Statements, continued

Year ended September 30, 2017

8. Net assets externally restricted for endowments:

All of the net assets externally restricted for endowment purposes are subject to restrictions stipulating that the principal be maintained intact. Two endowment contributions totaling \$82,776 require that a specific percentage of the related investment income be recorded as a direct increase in net assets for endowment purposes. The amount for 2017 is \$1,090 (2016 - \$940). The balance of the investment income on the remaining endowment assets is unrestricted.

9. Net assets internally restricted:

The Board has restricted net assets for future purposes. Transfers to and from the net assets internally restricted for endowments are made at the discretion of the Board.

10. Related party transactions:

The program of conservation activities in Canada, complete with budgets that cover all costs to be incurred, including staffing and other direct and indirect components, is developed and approved for implementation by the Board of Directors of the Atlantic Salmon Federation (Canada) ("ASF (Canada)").

ASF (Canada) requests funding from Atlantic Salmon Federation (U.S.), Inc. ("ASF (US)"), a separate but affiliated U.S. charity with a separate board of directors, to support certain conservation programs and activities implemented by ASF (Canada).

ASF (Canada) has entered into a lease agreement with ASF (US) for use of all real estate, improvements and equipment which ASF (US) owns in Canada. Under this lease agreement, ASF (Canada) pays all costs related to occupancy of the real estate and operation of the equipment; and pays ASF (US) an annual rental fee of \$1.

ASF (Canada) has entered into agreements with ASF (US), pursuant to which, the President of ASF (Canada) will provide services as President of ASF (US); and, the employees of ASF (Canada)'s Fundraising and Administration departments will provide fundraising and administration services to ASF (US). Under the terms of these agreements ASF (US) will pay ASF (Canada) amounts as determined during the annual budget process.

During the fiscal year ended September 30, 2017, ASF (US) contributed a total of \$2,444,700 (2016 - \$2,246,517) to ASF (Canada) relative to certain conservation programs and other activities, including agreements, as described in the paragraph immediately above.

These related party transactions are recorded at the exchange amount as agreed upon by the two parties.

ATLANTIC SALMON FEDERATION (CANADA)

Notes to Financial Statements, continued

Year ended September 30, 2017

11. Fair value of financial instruments:

The following methods and assumptions are used in estimating the fair value for financial instruments:

Cash, accounts receivable, current unconditional promises to give and accounts payable and accrued liabilities: the carrying amounts report in the statement of financial position approximate fair values because of the short maturities of these instruments.

Investments: Investments are measured at fair value and are based on quoted market prices.

The fair value of the receivable from Atlantic Salmon Federation (U.S.), Inc. is not determinable due to its special nature.

Long-term unconditional promises to give: The fair value of promises to give that are due in more than one year is estimated by discounting the future cash flows using a current risk free rate of return over the expected collection period.

12. Concentrations of risk:

Credit and interest rate risk:

The Federation is exposed to credit risk on cash balances, investments, accounts receivable and unconditional promises to give. Cash balances are maintained at high quality financial institutions. The collectibility of accounts receivable and unconditional promises is assessed on an individual basis and written off in the statement of operations when deemed irrecoverable. Investments are subject to both credit and interest rate risk which is managed by holding a diverse portfolio.

Foreign exchange:

The Federation is exposed to foreign exchange risk on investments listed in foreign currencies. The Federation manages this exposure by holding a diverse portfolio.