



LOWER THAMES VALLEY CONSERVATION AUTHORITY

**INDEPENDENT AUDITOR'S REPORT AND
FINANCIAL STATEMENTS**

DECEMBER 31, 2025

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INDEPENDENT AUDITOR'S REPORT

To the Members of the
Lower Thames Valley Conservation Authority

Opinion

We have audited the financial statements of the Lower Thames Valley Conservation Authority, which comprise the statement of financial position as at December 31, 2025, 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, the accompanying financial statements present fairly, in all material respects, the financial position of the Authority as at December 31, 2025, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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 Authority 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 opinion.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the annual report of the Lower Thames Valley Conservation Authority but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

INDEPENDENT AUDITOR'S REPORT, continued

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 public sector accounting standards, 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.

In preparing the financial statements, management is responsible for assessing the Authority'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 Authority or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Authority'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:

INDEPENDENT AUDITOR'S REPORT, continued

- ♦ 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 Authority's internal control.
- ♦ 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 Authority'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 Authority 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.

Chatham, Ontario
April 16, 2026

Baker Tilly CK, LLP

CHARTERED PROFESSIONAL ACCOUNTANTS
LICENSED PUBLIC ACCOUNTANTS

LOWER THAMES VALLEY CONSERVATION AUTHORITY

FINANCIAL STATEMENTS

DECEMBER 31, 2025



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LOWER THAMES VALLEY CONSERVATION AUTHORITY

STATEMENT OF OPERATIONS



YEAR ENDED DECEMBER 31, 2025

	2025 Budget (note 17)	2025 Actual	2024 Actual
REVENUES			
Municipal levies, Schedule 9	\$ 1,973,916	\$ 1,973,916	\$ 1,866,053
Grants (note 14)	5,368,352	4,377,914	2,297,952
Government grants - special projects	-	5,526	10,702
Direct benefiting (note 14)	297,200	955,887	629,739
Rental recoveries	-	180,944	122,507
Oil and gas royalties	-	5,867	5,685
Interest income	-	111,294	159,869
Foundation revenue (note 14)	-	5,387	1,479
Conservation area revenues	535,564	437,212	483,344
Mapping revenue	-	36,294	32,699
Donations	-	167	1,815
Ska-Nah-Doht Village, Schedule 1	-	74,101	87,014
	<u>8,175,032</u>	<u>8,164,509</u>	<u>5,698,858</u>
EXPENDITURES (note 14)			
Administration and other	728,058	(91,235)	-
Ska-Nah-Doht Village, Schedule 1	115,422	81,039	90,770
Source protection, Schedule 2	25,733	30,537	41,905
Watershed monitoring, Schedule 3	154,426	196,947	152,920
Flood control structures, Schedule 4	382,996	325,333	353,807
Flood forecasting and warning, Schedule 5	101,191	111,109	99,029
Regulations and plan review, Schedule 6	422,185	403,660	404,111
Conservation services - Stewardship, Schedule 7	5,177,871	4,618,398	2,866,567
Maintenance and other non-eligible, Schedule 8	1,050,540	1,397,129	1,300,482
	<u>8,158,422</u>	<u>7,072,917</u>	<u>5,309,591</u>
ANNUAL SURPLUS BEFORE AMORTIZATION AND OTHER INCOME (EXPENSE)	<u>16,610</u>	<u>1,091,592</u>	<u>389,267</u>
AMORTIZATION AND OTHER INCOME (EXPENSE)			
Amortization of tangible capital assets	-	(344,025)	(309,108)
Gain on sale of tangible capital assets (note 6)	-	1,062	10,000
Amortization of deferred capital contributions (note 9)	-	105,138	76,124
Donations of tangible capital assets (note 6)	-	543,000	-
	<u>-</u>	<u>305,175</u>	<u>(222,984)</u>
ANNUAL SURPLUS	<u>\$ 16,610</u>	<u>\$ 1,396,767</u>	<u>\$ 166,283</u>

LOWER THAMES VALLEY CONSERVATION AUTHORITY

STATEMENT OF CHANGES IN NET ASSETS



YEAR ENDED DECEMBER 31, 2025

	INVESTMENT IN TANGIBLE CAPITAL ASSETS (note 11)	RESERVES (notes 11 and 13)	OTHER (note 11)	Total 2025	Total 2024
BALANCE, BEGINNING OF YEAR	\$ 7,617,532	\$ 531,753	\$ 138,740	\$ 8,288,025	\$ 8,121,742
Annual surplus (notes 10 and 12)	986,553	-	410,214	1,396,767	166,283
Transfer from reserves (note 13)	-	471,037	(471,037)	-	-
BALANCE, END OF YEAR	<u>\$ 8,604,085</u>	<u>\$ 1,002,790</u>	<u>\$ 77,917</u>	<u>\$ 9,684,792</u>	<u>\$ 8,288,025</u>

LOWER THAMES VALLEY CONSERVATION AUTHORITY**STATEMENT OF FINANCIAL POSITION****DECEMBER 31, 2025**

	2025	2024
FINANCIAL ASSETS		
Cash (note 3)	\$ 3,343,504	\$ 2,845,621
Accounts receivable (notes 4 and 14)	1,138,947	1,100,950
Loan receivable from related party (notes 5 and 14)	133,461	75,000
	<u>4,615,912</u>	<u>4,021,571</u>
FINANCIAL LIABILITIES		
Accounts payable and accrued liabilities (notes 7 and 14)	1,034,260	1,089,777
Deferred revenue (note 8)	1,120,618	1,280,874
Deferred capital contributions (note 9)	1,417,432	1,041,974
	<u>3,572,310</u>	<u>3,412,625</u>
NET FINANCIAL ASSETS (note 10)	<u>1,043,602</u>	<u>608,946</u>
NON-FINANCIAL ASSETS		
Prepaid expenses	37,105	61,547
Tangible capital assets (note 6)	8,604,085	7,617,532
	<u>8,641,190</u>	<u>7,679,079</u>
ACCUMULATED SURPLUS (note 11)	<u>\$ 9,684,792</u>	<u>\$ 8,288,025</u>
SUBSEQUENT EVENTS (note 16)		

ON BEHALF OF THE BOARDA handwritten signature in dark ink, appearing to read "Paul Tassin", written over a horizontal line.
ChairA handwritten signature in dark ink, appearing to be a stylized "Y" or "H", written over a horizontal line.
Vice Chair

LOWER THAMES VALLEY CONSERVATION AUTHORITY**STATEMENT OF CASH FLOWS****YEAR ENDED DECEMBER 31, 2025**

	2025	2024
OPERATING ACTIVITIES		
Annual surplus	\$ 1,396,767	\$ 166,283
Adjustments for		
Amortization of tangible capital assets	344,025	309,108
Gain on sale of tangible capital assets (note 6)	(1,062)	(10,000)
Amortization of deferred capital contributions (note 9)	(105,138)	(76,124)
Donations of tangible capital assets (notes 6 and 15)	(543,000)	-
	<u>1,091,592</u>	<u>389,267</u>
Change in non-cash working capital items (note 15)	<u>(105,458)</u>	<u>370,866</u>
	<u>986,134</u>	<u>760,133</u>
INVESTING ACTIVITY		
Advances to related party	<u>(58,461)</u>	<u>-</u>
FINANCING ACTIVITY		
Tangible capital assets funded by capital contributions	<u>356,726</u>	<u>476,272</u>
CAPITAL ACTIVITIES		
Purchase of tangible capital assets	(787,578)	(1,082,349)
Proceeds on sale of tangible capital assets	<u>1,062</u>	<u>10,000</u>
	<u>(786,516)</u>	<u>(1,072,349)</u>
INCREASE IN CASH	497,883	164,056
CASH, BEGINNING OF YEAR	<u>2,845,621</u>	<u>2,681,565</u>
CASH, END OF YEAR	<u>\$ 3,343,504</u>	<u>\$ 2,845,621</u>

1. NATURE OF OPERATIONS

Lower Thames Valley Conservation Authority is a not-for-profit organization established on February 2, 1961 under the Conservation Authorities Act of Ontario in the area over which it has jurisdiction. The Authority undertakes a program designed to further the conservation, preservation, restoration, development and management of natural resources other than gas, oil, coal and minerals. The Authority is exempt from income taxes provided that certain requirements of the Income Tax Act are met.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared in accordance with Canadian public sector accounting standards. The significant accounting policies are detailed as follows:

(a) CASH

Cash consists of cash on hand, balances with financial institutions, certificates of deposit, and short-term investments with maturities of 90 days or less.

(b) LOANS RECEIVABLE

The Authority initially measures loans receivable originated or exchanged in arm's length transactions at fair value. Loans receivable originated or exchanged in related party transactions, except for those that involve parties whose sole relationship with the Authority is in the capacity of management, are initially measured at cost. Loans receivable are subsequently measured at cost.

Loans receivable are reviewed for impairment whenever events or changes in the circumstances indicate that the loan balance may not be recoverable. The amount of the write-down, if any, is recognized in the annual surplus.

Loans receivable held by the Authority are non-interest bearing.

(c) TANGIBLE CAPITAL ASSETS

Tangible capital assets are significant economic resources that are managed by the Authority and are a key component in the long-term delivery of the Authority's programs. Tangible capital assets are recorded at cost. Cost includes the purchase price of the asset and all other costs incurred to make the asset available for use. The Authority provides for amortization using the straight-line method at rates designed to amortize the cost of the tangible capital assets over their estimated useful lives. The annual amortization rates are as follows:

Buildings	10-50 years
Equipment	5-40 years
Automotive	6-25 years
Furniture and fixtures	10 years
Computer equipment	3 years

2. SIGNIFICANT ACCOUNTING POLICIES, continued

(c) TANGIBLE CAPITAL ASSETS, continued

Tangible capital assets are reviewed for impairment whenever events or changes in the circumstances indicate that the carrying value may not be recoverable. If the total of the estimated undiscounted future cash flows is less than the carrying value of the asset, an impairment loss is recognized for the excess of the carrying value over the fair value of the asset during the year the impairment occurs.

Tangible capital assets under construction are not yet available for use and accordingly, are not being amortized. The assets will be placed into use as they are completed.

(d) RESERVES

Reserves for future expenditures and contingencies are established as required at the discretion of the members of the Authority. Increases or decreases in these reserves are made by appropriations to or from operations and, where appropriate, upon approval of the Board of Directors.

The reserve for vehicle and equipment acquisitions is used for the purchase of vehicles and equipment.

The reserve for capital and maintenance projects on Authority lands and structures is used to hold royalties received from lands purchased using provincial funding to fund capital and maintenance projects on Authority lands.

The reserve for provincially eligible and mandated projects is used to hold royalties received from lands purchased using provincial funding to fund provincially-eligible expenditures.

The reserve for insurance deductibles is used to hold funding to pay the deductible on insurance claims and cover expenses related to the self-funded short-term disability policy.

The reserve for restructuring is used to hold funding to pay severance costs in the event of organizational restructuring.

The reserve for eastern district properties is used to hold funds for the improvement of eastern district conservation areas.

The reserve for wetland projects is used to hold funds for the construction of wetland projects in the conservation area and the generation of future grant funding.

2. SIGNIFICANT ACCOUNTING POLICIES, continued

(d) RESERVES, continued

The reserve for stewardship projects is used to hold funds for stewardship projects undertaken by the conservation area and the generation of future grant funding.

The reserve for asset management is used to hold funds for the implementation and operation of the Authority's capital asset management plan.

(e) REVENUE RECOGNITION AND GOVERNMENT TRANSFERS

The Authority follows the deferral method of accounting for contributions and government transfers. Restricted contributions and government transfers are deferred and are recognized as revenues in the year in which the related expenses are incurred or services performed. Unrestricted contributions, including direct benefiting revenues, and government transfers are recognized as revenues in the period in which events giving rise to the revenue occur, provided that the transactions are authorized, any eligibility criteria have been met, and a reasonable estimate can be made of the amount to be received.

Contributions and transfers related to tangible capital assets are credited to deferred capital contributions and are recognized as revenue on the same basis as amortization on the related asset is charged against operations. Contributions and transfers related to tangible capital assets that are not subject to amortization are recognized as a direct increase in net assets.

Conservation area revenues, mapping revenues, rental recoveries, royalties, interest revenue, and other income are recognized as they are earned.

(f) SEGMENTATION OF EXPENSES

The Authority's expenses are segregated into several key program areas in the statement of operations and supporting schedules. These segments are identified and segregated on the basis of the programs operated by the Lower Thames Valley Conservation Authority and expenses are allocated to these segments according to the program to which they relate.

(g) BASIS OF ACCOUNTING

Revenues and expenses of the Authority have been recorded on an accrual basis and are recognized in the statement of operations in the year in which they have been earned and incurred, respectively, regardless of whether or not such transactions have been settled by the payment or receipt of cash.

2. SIGNIFICANT ACCOUNTING POLICIES, continued

(h) CONTRIBUTED MATERIALS AND SERVICES

Contributions of materials and services are recognized in the financial statements at fair value at the date of contribution, but only when a fair value can be reasonably estimated, when the materials and services are used in the normal course of operations, and when the materials and services would otherwise have been purchased. When a fair value cannot be determined, the contributed materials and services are recorded at a nominal value.

(i) CLOUD COMPUTING ARRANGEMENTS

The Authority applies the simplification approach to account for expenditures in cloud computing arrangements. The expenditures in the arrangements are expensed as incurred. During the year, the Authority expensed \$6,044, (2024 - \$6,057) through operations in the administration overhead and travel, materials, taxes, insurance, and utilities expense lines for fees related to cloud computing arrangements. The fees were expensed in the programs to which they relate.

(j) FINANCIAL INSTRUMENTS

Financial instruments are financial assets or liabilities of the Authority where, in general, the Authority has the right to receive cash or another financial asset from another party or the Authority has the obligation to pay another party cash or other financial assets.

The Authority's financial assets consist of cash, accounts receivable and loan receivable from related party.

The Authority's financial liabilities consist of accounts payable and accrued liabilities, deferred revenue and deferred capital contributions.

The Authority initially measures its financial assets and liabilities originated or exchanged in arm's length transactions at fair value. Financial assets and liabilities originated or exchanged in related party transactions, except for those that involve parties whose sole relationship with the Authority is in the capacity of management, are initially measured at cost.

The cost of a financial instrument in a related party transaction depends on whether the instrument has repayment terms. If repayment terms exist, the cost is determined using its undiscounted cash flows, excluding interest and dividend payments, less any impairment losses previously recognized by the transferor. Otherwise, the cost is determined using the consideration transferred or received by the Authority in the transaction.

2. SIGNIFICANT ACCOUNTING POLICIES, continued

(j) FINANCIAL INSTRUMENTS, continued

The Authority subsequently measures all its financial assets and financial liabilities at amortized cost. The Authority does not use derivative instruments.

Financial assets measured at cost or amortized cost are tested for impairment at the end of each year to determine whether there are indicators that the asset may be impaired. The amount of the write-down, if any, is recognized in the annual surplus. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account. The reversal may be recorded provided it is no greater than the amount that had been previously reported as a reduction in the asset and it does not exceed original cost. The amount of the reversal is recognized in the annual surplus.

(k) USE OF ESTIMATES

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions, such as the allowance for doubtful accounts, useful life of tangible capital assets, amortization of tangible capital assets, accrued liabilities and deferred revenues that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of certain revenues and expenditures during the year. Actual results could differ from management's best estimates as additional information becomes available in the future. These estimates and assumptions are reviewed periodically and, as adjustments become known, they are reported in the periods in which they become known.

3. BANK INDEBTEDNESS

The Authority has available a revolving demand operating credit line in the amount of \$300,000. This credit facility bears interest at the rate of prime less 0.75% per annum and is unsecured. At year end, \$nil, (2024 - \$nil) of this demand operating credit line has been used.

4. ACCOUNTS RECEIVABLE

	<u>2025</u>	<u>2024</u>
Accounts receivable (note 14)	\$ 1,134,074	\$ 1,107,118
Allowance for doubtful accounts	(13,087)	(19,481)
Sales taxes recoverable	11,052	7,419
Employee receivables (note 14)	<u>6,908</u>	<u>5,894</u>
	<u>\$ 1,138,947</u>	<u>\$ 1,100,950</u>

5. LOAN RECEIVABLE FROM RELATED PARTY

The loan receivable due from the Lower Thames Valley Conservation Foundation is unsecured and non-interest bearing. The loan is to be repaid in full in one lump sum at the end of the fundraising campaign for the Longwoods Resource Centre and after calculation of the total funds received, which is expected to be by December 31, 2026. Accordingly, this balance has been classified as short-term in the accompanying financial statements.

6. TANGIBLE CAPITAL ASSETS

	2025		2024	
	Cost	Accumulated amortization	Cost	Accumulated amortization
Land	\$ 4,257,239	\$ -	\$ 3,698,006	\$ -
Buildings	9,389,702	5,513,054	8,745,958	5,317,262
Equipment	1,161,429	959,368	1,102,121	895,272
Automotive	621,887	465,026	577,516	422,609
Furniture and fixtures	168,405	95,846	137,174	82,995
Computer equipment	139,865	101,149	105,908	72,279
Construction in progress	-	-	41,266	-
	<u>15,738,527</u>	<u>7,134,442</u>	<u>14,407,949</u>	<u>6,790,417</u>
Net book value	<u>\$ 8,604,085</u>		<u>\$ 7,617,532</u>	

During the year, the Authority acquired \$559,233, (2024 - \$nil) of land, \$602,478, (2024 - \$801,232) of buildings, \$59,309, (2024 - \$143,856) of equipment, \$44,371, (2024 - \$69,504) of automotive equipment, \$31,231, (2024 - \$26,491) of furniture and fixtures, \$33,956, (2024 - \$nil) of computer equipment, and \$nil, (2024 - \$41,266) of construction in progress tangible capital assets.

Of the land acquired in the year, \$543,000, (2024 - \$nil) was acquired by way of donation.

During the year \$41,266, (2024 - \$435,017) of construction in progress tangible capital assets acquired in the previous year were completed and transferred into use. These costs have been added to the building asset class and are now being amortized.

During the year, the Authority disposed of automotive equipment with a cost of \$nil, (2024 - \$28,655) and accumulated amortization of \$nil, (2024 - \$28,655) for cash proceeds of \$1,062, (2024 - \$10,000). This disposal resulted in a gain on sale being recognized in the amount of \$1,062, (2024 - \$10,000).

LOWER THAMES VALLEY CONSERVATION AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS



DECEMBER 31, 2025

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>2025</u>	<u>2024</u>
Accounts payable	\$ 765,776	\$ 894,145
Accrued liabilities	256,534	178,547
Government remittances payable	<u>11,950</u>	<u>17,085</u>
	<u>\$ 1,034,260</u>	<u>\$ 1,089,777</u>

8. DEFERRED REVENUE

The Lower Thames Valley Conservation Authority receives certain amounts, principally from other public sector bodies, which may only be used in the conduct of certain programs or completion of specific work. These amounts are deferred and are recognized as revenues in the year in which the related expenses are incurred or services are performed.

	<u>2025</u>	<u>2024</u>
Balance, beginning of year	\$ 1,280,874	\$ 1,465,954
Amounts received and deferred in the year	1,473,804	1,140,559
Amounts recognized as revenue in the year	(1,510,190)	(1,292,797)
Amounts transferred to deferred capital contributions	<u>(123,870)</u>	<u>(32,842)</u>
Balance, end of year	<u>\$ 1,120,618</u>	<u>\$ 1,280,874</u>

9. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions related to tangible capital assets represent the unamortized amount of funding received for the purchase of capital assets. The amortization of deferred capital contributions is recorded as revenue in the statement of operations on the same basis as amortization is charged against the associated tangible capital asset.

	<u>2025</u>	<u>2024</u>
Opening balance	\$ 1,041,974	\$ 608,984
Amounts received during the year	356,726	476,272
Amounts transferred from deferred revenue in the year	123,870	32,842
Less: amount recognized in revenue in the year	<u>(105,138)</u>	<u>(76,124)</u>
	<u>\$ 1,417,432</u>	<u>\$ 1,041,974</u>

LOWER THAMES VALLEY CONSERVATION AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2025



10. CHANGES IN NET FINANCIAL ASSETS

	<u>2025</u>	<u>2024</u>
Net financial assets, beginning of year	\$ 608,946	\$ 1,237,950
Annual surplus	1,396,767	166,283
Change in tangible capital assets	(986,553)	(773,241)
Change in prepaid expenses	<u>24,442</u>	<u>(22,046)</u>
Net financial assets, end of year	<u><u>\$ 1,043,602</u></u>	<u><u>\$ 608,946</u></u>

11. ACCUMULATED SURPLUS

	<u>2025</u>	<u>2024</u>
Investment in tangible capital assets	\$ 8,604,085	\$ 7,617,532
Reserves	1,002,790	531,753
Other	<u>77,917</u>	<u>138,740</u>
	<u><u>\$ 9,684,792</u></u>	<u><u>\$ 8,288,025</u></u>

12. CHANGE IN TANGIBLE CAPITAL ASSETS

	<u>2025</u>	<u>2024</u>
Acquisition of tangible capital assets	\$ 1,330,578	\$ 1,082,349
Amortization of tangible capital assets	(344,025)	(309,108)
Gain on sale of capital assets	1,062	10,000
Proceeds on disposition of tangible capital assets	<u>(1,062)</u>	<u>(10,000)</u>
	<u><u>\$ 986,553</u></u>	<u><u>\$ 773,241</u></u>

13. RESERVES

The Lower Thames Valley Conservation Authority sets up internal reserves for operations, capital replacement, legal and other items in order to ensure funds are available to finance shortfalls. These reserves are replenished from operating surplus and, where appropriate, as directed by the Board of Directors.

LOWER THAMES VALLEY CONSERVATION AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS



DECEMBER 31, 2025

13. RESERVES, continued

	<u>BALANCE, BEGINNING OF YEAR</u>	<u>TRANSFER FROM SURPLUS</u>	<u>TRANSFER TO SURPLUS</u>	<u>TRANSFER WITHIN RESERVES</u>	<u>BALANCE, END OF YEAR</u>
Reserve for vehicle and equipment acquisitions	\$ 38,390	\$ -	\$ -	\$ (38,390)	\$ -
Reserve for capital and maintenance projects on Authority lands and structures	191,879	-	-	(191,879)	-
Reserve for provincially eligible and mandated projects	46,949	-	-	(46,949)	-
Reserve for insurance deductibles	30,000	-	-	(30,000)	-
Reserve for restructuring	216,677	-	-	(216,677)	-
Reserve for eastern district properties	7,858	-	-	-	7,858
Reserve for wetland projects	-	180,043	-	-	180,043
Reserve for stewardship projects	-	268,517	-	-	268,517
Reserve for asset management	-	22,477	-	523,895	546,372
	<u>\$ 531,753</u>	<u>\$ 471,037</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,002,790</u>

DECEMBER 31, 2025

13. RESERVES, continued

During the year, the Lower Thames Valley Conservation Authority recognized previously deferred revenues of \$448,560, (2024 - \$nil) into operations upon funding criteria being met. These funds were subsequently internally restricted by the board and \$180,043, (2024 - \$nil) was moved to the reserve for wetland projects and \$268,517, (2024 - \$nil) was moved to the reserve for stewardship projects.

During the year, the board approved the transfer of \$523,895, (2024 - \$nil) of existing reserve balances to the reserve for asset management.

Through acceptance of these financial statements, the Board of Directors approves a transfer of \$22,477, (2024 - \$5,685) from the annual surplus to the reserve accounts and approved a transfer of \$nil, (2024 - \$nil) from reserve accounts to the statement of operations.

14. RELATED PARTY TRANSACTIONS

Related parties to the Lower Thames Valley Conservation Authority include the board of directors, management, the immediate family members of the board of directors and management, ALUS Chatham-Kent, ALUS Elgin, ALUS Middlesex, and organizations with a board member in common with the Authority.

The Authority is related to the Lower Thames Valley Conservation Foundation by way of a common management team.

Included in accounts receivable at year end is \$176,545, (2024 - \$150,849) due from related parties.

Included in accounts payable at year end is \$7,296, (2024 - \$23,165) due to related parties.

During the year, the Authority made tree sales of \$8,946, (2024 - \$11,953) to related parties, collected Foundation revenue of \$5,387, (2024 - \$1,479), and received grant income of \$173,501, (2024 - \$151,562) from related parties.

During the year, the Authority paid \$2,000, (2024 - \$2,000) in honorariums to the chair of the board of directors and paid \$102, (2024 - \$nil) in other administrative expenses. These fees were allocated to administration overhead in the relevant program areas.

During the year, the Authority made \$5,459, (2024 - \$17,500) in conservation services - stewardship project contributions to related parties.

Related party transactions are recorded at the exchange amount, being the consideration agreed to by the related parties. Management is of the opinion that these transactions were undertaken under the same terms and conditions as transactions with non-related parties. Amounts included in accounts payable and accounts receivable are held at normal trade terms.

15. CHANGE IN NON-CASH WORKING CAPITAL ITEMS

	<u>2025</u>	<u>2024</u>
Accounts receivable	\$ (37,997)	\$ 98,015
Accounts payable and accrued liabilities	(55,517)	447,135
Deferred revenue	(36,386)	(152,238)
Prepaid expenses	<u>24,442</u>	<u>(22,046)</u>
	<u>\$ (105,458)</u>	<u>\$ 370,866</u>

During the year, \$41,266, (2024 - \$435,017) of construction in progress tangible capital assets acquired in the previous year were completed and transferred into use. These costs have been added to the building tangible capital asset class.

During the year, the Authority acquired land with a fair value of \$543,000, (2024 - \$nil) by way of donation.

During the year, \$123,870, (2024 - \$32,842) of funding received was transferred from deferred revenue to deferred capital contributions. These funds were used to acquire tangible capital assets.

16. SUBSEQUENT EVENTS

Subsequent to year end, on March 10, 2026, the Province of Ontario announced proposed legislative changes to consolidate the province's 36 conservation authorities into 9 regional conservation authorities, with the transition expected to be completed by February 1, 2027.

As of the date of this report, limited details have been released regarding the structure, governance, funding arrangements, or implementation timeline of the proposed consolidation.

Management has indicated that the Authority continues to operate normally and has sufficient resources to meet its obligations as they come due in the foreseeable future. Accordingly, these financial statements are prepared on a going concern basis.

17. BUDGET FIGURES

The figures shown in the 'budget' column of the statement of operations and schedules to the financial statements are provided for information purposes only. The budget was prepared and approved by the board of directors of the Lower Thames Valley Conservation Authority on February 19, 2025 and is unaudited.

18. COMPARATIVE FIGURES

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year earnings.

19. FINANCIAL INSTRUMENTS

Transactions in financial instruments may result in an entity assuming or transferring to another party one or more of the financial risks described below. The required disclosures provide information that assists users of financial statements in assessing the extent of risk related to financial instruments. In management's opinion, there have been no changes to the Authority's risks during the year.

(a) MARKET RISK

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether the factors are specific to the instrument or all instruments traded in the market. These risks are generally outside of the control of the Authority. In management's opinion, the Authority is not exposed to significant market risk.

DECEMBER 31, 2025

19. FINANCIAL INSTRUMENTS, continued

(b) CREDIT RISK

Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss. The Authority is exposed to credit risk in the event of non-payment by customers for their accounts receivable. The Authority believes there is minimal risk associated with these amounts due to the diversity of its customers and there are no significant concentrations of accounts receivable with any group of customers that are related to each other. The Authority reduces its exposure to credit risk by regularly monitoring outstanding accounts receivable and creating an allowance for bad debts when applicable. In the opinion of management, the credit risk exposure to the Authority is low and is not material.

Set out below is the information about the credit risk exposure on the Authority's trade receivables using a provision matrix:

2025 trade receivables days past due					
	0-30 days	31-60 days	61-90 days	90+ days	Total
Carrying amount	\$ 850,627	\$ 61,957	\$ 15,326	\$ 189,433	\$ 1,117,343
Allowance	-	-	-	(13,087)	(13,087)
	<u>\$ 850,627</u>	<u>\$ 61,957</u>	<u>\$ 15,326</u>	<u>\$ 176,346</u>	<u>\$ 1,104,256</u>
2024 trade receivables days past due					
	0-30 days	31-60 days	61-90 days	90+ days	Total
Carrying amount	\$ 989,497	\$ 41,784	\$ 27,224	\$ 61,926	\$ 1,120,431
Allowance	-	-	-	(19,481)	(19,481)
	<u>\$ 989,497</u>	<u>\$ 41,784</u>	<u>\$ 27,224</u>	<u>\$ 42,445</u>	<u>\$ 1,100,950</u>

19. FINANCIAL INSTRUMENTS, continued

(c) CONCENTRATION OF CREDIT RISK

Concentration risk is the risk that a party has more than ten percent of the total accounts receivable balance and thus there is a higher risk to the Authority in the event of a default by one of these parties. At December 31, 2025, receivables from 2 parties, (2024 - 2 parties) comprised approximately 44%, (2024 - 54%) of the total outstanding receivables. The Authority reduces this risk by regularly assessing the credit risk associated with these accounts and closely monitoring any overdue balances. In the opinion of management, the concentration risk exposure to the Authority that is associated with their accounts receivable is low and is not material.

(d) INTEREST RATE RISK

Interest rate risk is the risk that future cash flows will be impacted by changes in interest rates. The Authority is exposed to interest rate risk on its bank indebtedness as the interest rate applicable to the Authority is variable based on the bank's prime rates. This exposure may have an impact on earnings in future years. The Authority reduces its exposure to interest rate risk by regularly monitoring published bank prime interest rates. The Authority does not use derivative instruments to reduce its exposure to interest rate risk. In the opinion of management, the interest rate risk exposure to the Authority is low and is not material.

LOWER THAMES VALLEY CONSERVATION AUTHORITY

SCHEDULES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2025



SCHEDULE OF SKA-NAH-DOHT VILLAGE REVENUE AND EXPENDITURES Schedule 1

	2025 Budget (note 17)	2025 Actual	2024 Actual
REVENUE			
Donations	\$ -	\$ 1,507	\$ 3,495
Gate receipts	-	44,713	60,527
Grants	-	27,881	22,992
	<u>-</u>	<u>74,101</u>	<u>87,014</u>
EXPENDITURES			
Administration overhead	-	7,400	9,813
Advertising	-	-	150
Events and activities	-	523	506
Materials, supplies, taxes, insurance, utilities	8,020	6,450	4,529
Wages and benefits	107,402	66,666	75,772
	<u>115,422</u>	<u>81,039</u>	<u>90,770</u>
ANNUAL SURPLUS (DEFICIT)	<u>\$ (115,422)</u>	<u>\$ (6,938)</u>	<u>\$ (3,756)</u>

SCHEDULE OF SOURCE PROTECTION EXPENDITURES Schedule 2

	2025 Budget (note 17)	2025 Actual	2024 Actual
Administration overhead	\$ -	\$ 2,789	\$ 4,530
Travel, materials, taxes, insurance, and utilities	-	269	10
Wages and benefits	25,733	27,479	37,365
	<u>25,733</u>	<u>30,537</u>	<u>41,905</u>

LOWER THAMES VALLEY CONSERVATION AUTHORITY

SCHEDULES TO THE FINANCIAL STATEMENTS



YEAR ENDED DECEMBER 31, 2025

SCHEDULE OF WATERSHED MONITORING EXPENDITURES

Schedule 3

	2025 Budget (note 17)	2025 Actual	2024 Actual
Administration overhead	\$ -	\$ 17,985	\$ 16,509
Travel, materials, taxes, insurance and utilities	49,626	51,886	51,226
Wages and benefits	104,800	127,076	85,185
	<u>\$ 154,426</u>	<u>\$ 196,947</u>	<u>\$ 152,920</u>

SCHEDULE OF FLOOD CONTROL STRUCTURES EXPENDITURES

Schedule 4

	2025 Budget (note 17)	2025 Actual	2024 Actual
Administration overhead	\$ -	\$ 29,703	\$ 38,248
Travel, materials, taxes, insurance, and utilities	49,411	47,314	99,602
Wages and benefits	333,585	248,316	215,957
	<u>\$ 382,996</u>	<u>\$ 325,333</u>	<u>\$ 353,807</u>

SCHEDULE OF FLOOD FORECASTING AND WARNING EXPENDITURES

Schedule 5

	2025 Budget (note 17)	2025 Actual	2024 Actual
Administration overhead	\$ -	\$ 10,146	\$ 10,705
Travel, materials, taxes, insurance, and utilities	17,970	11,144	13,262
Wages and benefits	83,221	89,819	75,062
	<u>\$ 101,191</u>	<u>\$ 111,109</u>	<u>\$ 99,029</u>

LOWER THAMES VALLEY CONSERVATION AUTHORITY

SCHEDULES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2025



SCHEDULE OF REGULATIONS AND PLAN REVIEW EXPENDITURES

Schedule 6

	2025 Budget (note 17)	2025 Actual	2024 Actual
Administration overhead	\$ -	\$ 36,934	\$ 43,751
Travel, materials, taxes, insurance, and utilities	51,589	31,974	49,946
Wages and benefits	370,596	334,752	310,414
	<u>\$ 422,185</u>	<u>\$ 403,660</u>	<u>\$ 404,111</u>

SCHEDULE OF CONSERVATION SERVICES - STEWARDSHIP EXPENDITURES

Schedule 7

	2025 Budget (note 17)	2025 Actual	2024 Actual
Administration overhead	\$ -	\$ 420,790	\$ 304,062
Travel, materials, taxes, insurance, and utilities (note 14)	3,768,180	2,820,865	1,611,319
Wages and benefits	1,409,691	1,376,743	951,186
	<u>\$ 5,177,871</u>	<u>\$ 4,618,398</u>	<u>\$ 2,866,567</u>

SCHEDULE OF MAINTENANCE AND OTHER NON-ELIGIBLE EXPENDITURES

Schedule 8

	2025 Budget (note 17)	2025 Actual	2024 Actual
Community relations	\$ 135,861	\$ 145,701	\$ 109,961
Conservation area maintenance	792,276	1,008,323	963,269
Conservation education	122,403	117,339	113,604
Vehicle and equipment	-	125,766	113,648
	<u>\$ 1,050,540</u>	<u>\$ 1,397,129</u>	<u>\$ 1,300,482</u>

LOWER THAMES VALLEY CONSERVATION AUTHORITY

SCHEDULES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2025

MUNICIPAL LEVY FOR 2025					Schedule 9	
MUNICIPALITY	CURRENT VALUE ASSESSMENT IN THE WATERSHED	% OF LEVY	GENERAL LEVY 2025	SPECIAL LEVY 2025	TOTAL LEVY 2025	TOTAL LEVY 2024
Chatham-Kent	\$ 8,741,988,584	55.8581 %	983,504 \$	213,200	\$ 1,196,704 \$	1,141,587
Dutton-Dunwich	576,459,862	3.6834 %	64,854	-	64,854	61,711
Lakeshore	1,501,140,854	9.5918 %	168,884	-	168,884	159,246
Leamington	375,548,669	2.3996 %	42,251	-	42,251	39,996
London	1,809,144,305	11.5598 %	203,535	-	203,535	192,412
Middlesex Centre	272,671,822	1.7423 %	30,676	-	30,676	28,650
Southwest Middlesex	452,470,347	2.8911 %	50,904	-	50,904	49,029
Southwold	295,805,737	1.8901 %	33,279	-	33,279	19,254
Strathroy-Caradoc	971,816,576	6.2096 %	109,333	-	109,333	103,447
West Elgin	653,273,036	4.1742 %	73,496	-	73,496	70,721
	<u>\$ 15,650,319,792</u>	<u>100.0000 %</u>	<u>1,760,716 \$</u>	<u>213,200</u>	<u>\$ 1,973,916 \$</u>	<u>1,866,053</u>