

TLC THE LAND CONSERVANCY OF BRITISH COLUMBIA
CONSOLIDATED FINANCIAL STATEMENTS
APRIL 30, 2003

AUDITORS' REPORT

To the Directors of TLC The Land Conservancy of British Columbia

We have audited the consolidated balance sheet of TLC The Land Conservancy of British Columbia as at April 30, 2003 and the consolidated statements of operations and changes in fund balances, changes in funds invested in capital assets and cash flows for the year then ended. These financial statements are the responsibility of the Society's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraph, we conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In common with many charitable organizations, the Society derives revenue from donations, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Society and we were not able to determine whether any adjustments might be necessary to donations, excess of revenue over expenses, current assets and fund balances.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of the revenues referred to in the preceding paragraph, these consolidated financial statements present fairly, in all material respects, the financial position of the Society as at April 30, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the Society Act of British Columbia, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

Victoria, British Columbia
September 3, 2003

CHARTERED ACCOUNTANTS

TLC THE LAND CONSERVANCY OF BRITISH COLUMBIA
(Incorporated under the Society Act of British Columbia)

CONSOLIDATED BALANCE SHEET AS AT APRIL 30, 2003

	General Fund	Restricted Fund	2003 Total	2002 Total
ASSETS				
Current				
Cash	\$ 59,726	\$ -	\$ 59,726	\$ 56,940
Accounts receivable	14,408	55,220	69,628	84,157
Prepaid expenses	16,693	991	17,684	11,999
Inventory	60,715	-	60,715	46,194
Deposits on land (Note 2)	-	280,000	280,000	10,000
	151,542	336,211	487,753	209,290
Investments (Note 3)	-	20,000	20,000	20,000
Capital assets (Note 4)	55,802	13,779,853	13,835,655	14,626,241
	\$ 207,344	\$ 14,136,064	\$ 14,343,408	\$ 14,855,531
LIABILITIES				
Current				
Accounts payable and accrued liabilities	\$ 333,489	\$ -	\$ 333,489	\$ 266,240
Due to (from) other Fund	(722,381)	722,381	-	-
Current portion of long-term debt (Note 5)	-	1,605,000	1,605,000	1,430,000
	(388,892)	2,327,381	1,938,489	1,696,240
Deposits held in trust	-	-	-	200,000
Long-term debt (Note 5)	216,225	3,449,107	3,665,332	4,986,947
	(172,667)	5,776,488	5,603,821	6,883,187
FUND BALANCES				
Invested in capital assets	55,802	9,005,746	9,061,548	8,349,294
Externally restricted	-	(646,170)	(646,170)	(481,295)
Unrestricted	324,209	-	324,209	104,345
	380,011	8,359,576	8,739,587	7,972,344
	\$ 207,344	\$ 14,136,064	\$ 14,343,408	\$ 14,855,531

See accompanying notes to non-consolidated financial statements

TLC THE LAND CONSERVANCY OF BRITISH COLUMBIA

CONSOLIDATED STATEMENT OF OPERATIONS
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED APRIL 30, 2003

	General Fund	Restricted Fund	2003 Total	2002 Total
Revenue				
Memberships	\$ 55,896	\$ -	\$ 55,896	\$ 49,615
Donations in kind	65,209	575,291	640,500	1,621,763
Donations	436,373	519,304	955,677	1,753,115
Grants	93,498	1,605,137	1,698,635	1,406,851
Rental income	4,681	60,454	65,135	63,410
Other income	80,989	88,783	169,772	41,669
	736,646	2,848,969	3,585,615	4,936,423
Expenses				
Advertising and promotion	55,131	22,844	77,975	66,667
Amortization	19,172	23,306	42,478	43,568
Transfers to other agencies	7,800	488,459	496,259	314,812
Conferences and seminars	8,112	3,177	11,289	16,873
Consulting	24,282	138,775	163,057	117,008
Fund raising	76,309	49,178	125,487	27,292
Interest and bank charges	8,608	1,019	9,627	8,313
Interest on long-term debt	15,560	375,662	391,222	388,157
Insurance	20,245	17,957	38,202	26,588
Licences, dues and fees	368	927	1,295	1,432
Memberships	1,013	100	1,113	2,214
Office	56,111	12,391	68,502	88,679
Professional fees	18,544	22,550	41,094	55,695
Property appraisals and commissions	-	37,119	37,119	57,333
Property taxes	-	48,805	48,805	47,892
Rent and utilities	13,475	50,861	64,336	43,559
Repairs and maintenance	20,185	37,495	57,680	101,976
Salaries, wages and benefits	115,086	915,093	1,030,179	1,044,848
Telephone	19,230	10,544	29,774	30,450
Travel	49,900	32,979	82,879	88,259
	529,131	2,289,241	2,818,372	2,571,615
Excess of revenue over expenses				
for the year	207,515	559,728	767,243	2,364,808
Fund balances, beginning of year	172,496	7,799,848	7,972,344	5,607,536
Fund balances, end of year	\$ 380,011	\$ 8,359,576	\$ 8,739,587	\$ 7,972,344

See accompanying notes to non-consolidated financial statements

TLC THE LAND CONSERVANCY OF BRITISH COLUMBIA

CONSOLIDATED STATEMENT OF CHANGES IN FUNDS
INVESTED IN CAPITAL ASSETS
FOR THE YEAR ENDED APRIL 30, 2003

	General Fund	Restricted Fund	2003 Total	2002 Total
Investment in capital assets, beginning of year	\$ 68,151	\$ 8,281,143	\$ 8,349,294	\$ 5,585,259
Additions to capital assets	6,823	673,143	679,966	4,172,879
Disposition of capital assets	-	(1,428,074)	(1,428,074)	(673,100)
Amortization of capital assets	(19,172)	(23,306)	(42,478)	(43,568)
Increase (reduction) in deposits on land	-	270,000	270,000	(60,000)
Additions to debt relating to purchase of assets	-	-	-	(1,956,165)
Debt principal repayments	-	1,232,840	1,232,840	1,323,989
Investment in capital assets, end of year\$	<u>55,802</u>	<u>\$ 9,005,746</u>	<u>\$ 9,061,548</u>	<u>\$ 8,349,294</u>

Approved on behalf of the Board:

_____ Director

_____ Director

See accompanying notes to non-consolidated financial statements

TLC THE LAND CONSERVANCY OF BRITISH COLUMBIA

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED APRIL 30, 2003

	General Fund	Restricted Fund	2003 Total	2002 Total
Cash flows from (used in) operating activities				
Excess of revenue over expenses for the year	\$ 207,515	\$ 559,728	\$ 767,243	\$ 2,364,808
Adjustments for:				
Amortization	19,172	23,306	42,478	43,568
Non-cash donations and transfers, net	-	(133,026)	(133,026)	73,100
	<u>226,687</u>	<u>450,008</u>	<u>676,695</u>	<u>2,481,476</u>
Changes in non-cash operating working capital (Note 8)	82,461	(20,889)	61,572	122,103
	<u>309,148</u>	<u>429,119</u>	<u>738,267</u>	<u>2,603,579</u>
Cash flows from (used in) financing activities				
Loan proceeds	136,225	197,775	334,000	1,956,165
Loan principal repayments	-	(1,480,615)	(1,480,615)	(1,433,989)
Due to (from) other Fund	(435,764)	435,764	-	-
	<u>(299,539)</u>	<u>(847,076)</u>	<u>(1,146,615)</u>	<u>522,176</u>
Cash flows from (used in) investing activities				
Purchase of land and capital assets	(6,823)	(112,043)	(118,866)	(4,172,879)
Proceeds on sale of capital assets	-	1,000,000	1,000,000	600,000
Deposits on land	-	(270,000)	(270,000)	60,000
Net advance from related entity	-	-	-	17,363
Deposits received (applied)	-	(200,000)	(200,000)	200,000
	<u>(6,823)</u>	<u>417,957</u>	<u>411,134</u>	<u>(3,295,516)</u>
Change in cash during the year	2,786	-	2,786	(169,761)
Cash, beginning of year	56,940	-	56,940	226,701
Cash, end of year	<u><u>\$ 59,726</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 59,726</u></u>	<u><u>\$ 56,940</u></u>

See accompanying notes to non-consolidated financial statements

TLC THE LAND CONSERVANCY OF BRITISH COLUMBIA

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
APRIL 30, 2003**

Purpose

The purpose of the Society is to protect plants, animals, natural communities and landscape features that represent diversity of life on Earth, by protecting the lands and waters they need to survive, and to protect areas of scientific, historical, cultural, scenic or compatible recreation value. This is accomplished by acquiring protective control of these lands and waters through ownership of the land, long-term leases or Conservation Covenants. The Society is a registered charity under the provisions of the Income Tax Act.

1. Summary of significant accounting policies

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The following is a summary of the significant accounting policies used in the preparation of the consolidated financial statements.

(a) Basis of accounting

The consolidated financial statements consist of the accounts of the Society and its wholly owned subsidiary company, TLC The Land Conservancy (Enterprises) Ltd.

(b) Fund accounting and revenue recognition

The Society follows the restricted fund method of accounting for contributions. Contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Contributions in kind are recognized at fair value at the date of contributions, if determinable. All other revenue is recognized in the period in which it is earned.

The General Fund accounts for the Society's administrative and operational activities. This fund also reports donations received for which there are no restrictions attached by the donor.

Restricted contributions are subject to externally imposed instructions specifying how the funds are to be used and are disclosed in the Restricted Fund.

The Society receives a significant amount of donated services, the fair market value of which cannot be determined and, therefore, has not been recorded in the accounts.

(c) Investments

Short-term investments are recorded at the lower of cost and market value. Long-term investments are carried at cost and are written down when there has been a loss in value that is other than temporary.

(d) Inventory

Inventory is valued at the lower of cost and net realizable value.

1. Summary of significant accounting policies, continued

(e) Capital assets and amortization

Capital assets are recorded at cost. Amortization is provided for by using the declining balance method and the following rates:

Buildings	5%
Office furniture and equipment	20%
Computer equipment	30%
Equipment	20%
Vehicle	30%

(f) Measurement uncertainty

The preparation of consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the non-consolidated financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from these estimates.

2. Deposits on land

	2003	2002
During the year, the Society made the following deposits on land purchases:		
(a) Deposit on the purchase of property comprised of three lots in the Kootenay District. Purchase to complete September 15, 2003.	\$ 120,000	\$ 10,000
(b) Deposit on purchase of covenants on property in Tofino, British Columbia. Under this agreement Tofino Community Investments Ltd. is to purchase the property and the Society has secured its option to protect the property in perpetuity.	130,000	-
(c) Deposit on the purchase of land in the Okanagan area of British Columbia with a total purchase price of \$183,000. Purchase to complete December 1, 2003.	20,000	-
Sub-total	\$ 270,000	\$ 10,000

TLC THE LAND CONSERVANCY OF BRITISH COLUMBIA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 APRIL 30, 2003

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2. Deposits on land, continued

	2003	2002
Balance forward	\$ 270,000	\$ 10,000
 (d)Deposit on two parcels of land in the Highlands area of British Columbia with a total purchase price of \$560,000. Purchase to complete September 30, 2003 and November 30, 2003. On August 28, 2003, the purchase contracts were assigned to the Capital Regional District (CRD) whereby the CRD will pay \$232,750 of the purchase price and hold title to the property.	 5,000	 -
 (e)Deposit on purchase of property on Hornby Island, British Columbia, together with the Province of British Columbia, the Regional District of Comox Strathcona and C.H.I. (Association for Conservancy of Hornby Island). The total purchase price is \$2,575,000, of which \$350,000 is to be paid by the Society. Purchase to complete by July, 2003. The Society's proportionate share of this purchase is currently under renegotiation with the Province.	 5,000	 -
	<u>\$ 280,000</u>	<u>\$ 10,000</u>

3. Investments

Donations required to be held for ten years ending 2007 through 2009, are as follows:

(a)Term deposit bearing interest of 5.35% per annum. Matures August, 2004.

\$ 15,000 \$ 15,000

(b)Term deposit bearing interest of 2.2% per annum. Matures April, 2004.

5,000 5,000

\$ 20,000 \$ 20,000

TLC THE LAND CONSERVANCY OF BRITISH COLUMBIA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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4. Capital assets

	Cost	Accumulated Amortization	2003 Net Carrying Amount	2002 Net Carrying Amount
Restricted Fund				
Land	\$ 12,886,920	\$ -	\$ 12,886,920	\$ 13,663,999
Covenants	576,271	-	576,271	564,592
Buildings	341,440	56,752	284,688	292,490
Office furniture and equipment	6,967	3,993	2,974	4,202
Equipment	53,435	24,435	29,000	32,807
	<u>13,865,033</u>	<u>85,180</u>	<u>13,779,853</u>	<u>14,558,090</u>
General Fund				
Office furniture and equipment	19,286	9,269	10,017	12,271
Computer equipment	43,608	26,820	16,788	21,446
Equipment	43,513	18,496	25,017	31,786
Vehicle	6,040	2,060	3,980	2,648
	<u>112,447</u>	<u>44,607</u>	<u>55,802</u>	<u>68,151</u>
	<u>\$ 13,977,480</u>	<u>\$ 141,825</u>	<u>\$ 13,835,655</u>	<u>\$ 14,626,241</u>

5 Long-term debt

	2003	2002
(a)Non-interest bearing note is unsecured and has no set terms of repayment.		
	\$ 350,000	\$ 350,000
(b)Non-interest bearing note is unsecured and has no set terms of repayment.		
	50,000	50,000
(c)Promissory note, unsecured, bears interest at prime plus 0.5% per annum and repayable in blended monthly payments of \$1,000.		
	73,567	78,860
Sub-total	<u>\$ 473,567</u>	<u>\$ 478,860</u>

5. Long-term debt, continued

	2003	2002
Balance forward	\$ 473,567	\$ 478,860
(d) Promissory note, secured by personal assets of the Executive Director.	-	30,000
(e) Mortgage payable is secured by South Winchelsea Island property.	-	95,000
(f) Mortgage payable to Coast Capital Savings Credit Union is secured by real property, bears interest at 6.7% per annum and is repayable by monthly payments of \$619, principal plus interest. Due April, 2004.	83,233	85,093
(g) Mortgage payable to the Abkhazi Garden Preservation Corp., is secured by real property, bears interest at 7.0% per annum and is repayable in quarterly payments of \$24,375, plus interest. Due February, 2005.	682,500	800,000
(h) Mortgage payable to Coast Capital Savings Credit Union is secured by real property, bears interest at 5.60% per annum and is repayable in blended monthly payments of \$1,156, principal plus interest. Due November 1, 2004.	177,969	182,171
(i) Mortgage payable is secured by Wildwood property, bears interest at 7.5% per annum and is repayable in monthly payments of \$1,151, plus interest. Due April 2008.	137,000	379,000
(j) Mortgage payable is secured by Wildwood property, bears interest at 8.0% per annum and is repayable in annual payments of \$10,000, principal plus interest. Due December 20, 2009.	70,000	80,000
(k) Mortgage payable is secured by Nanaimo River property, bears interest at 7.0% per annum and is repayable in two annual payments of \$41,667, principal plus interest. Due June 26, 2003.	41,667	83,333
Sub-total	\$	1,665,936
2,213,457	\$	\$

TLC THE LAND CONSERVANCY OF BRITISH COLUMBIA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 APRIL 30, 2003

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5. Long-term debt, continued

	2003	2002
Balance forward	\$ 1,665,936	\$ 2,213,457
(l) Mortgage payable is secured by Nanaimo River property, bears interest at 7.0% per annum and is repayable in two annual payments of \$3,333, principal plus interest. Due June 26, 2003.	3,333	6,667
(m) Mortgage payable secured by the Harper property.	-	100,000
(n) Mortgage payable secured by the Cowichan property.	-	16,666
(o) Mortgage payable is secured by Abkhazi property #2, bears no interest and is repayable in quarterly payments of \$800. Due February 9, 2006.	72,800	76,000
(p) Promissory note payable to the District of Saanich is unsecured and bears no interest. Due September 15, 2003.	388,850	392,850
(r) Mortgage payable is secured by Sooke Hills property, bears interest at 7.6% per annum and is repayable in annual principal payments of \$600,000, with interest paid monthly. Due April 1, 2005.	1,200,000	1,800,000
(t) Mortgage payable to Coast Capital Savings Credit Union is secured by real property, bears interest at 8.5% per annum and is repayable in blended monthly payments of \$467. Due October 1, 2003.	55,192	56,063
(u) Mortgage payable with a charge on the Abkhazi property, bears interest at 7.5% per annum and is repayable in blended monthly payments of \$512. Due May, 2006.	67,999	69,078
(v) Mortgage payable to Island Savings Credit Union is secured by a charge on the Salt Spring Island property, bears interest at the prime rate plus 1.0% per annum and is due on demand with monthly interest payments and an annual principal payment of \$200,000.	600,000	800,000
Sub-total	<u>\$ 4,054,110</u>	<u>\$ 5,530,781</u>

TLC THE LAND CONSERVANCY OF BRITISH COLUMBIA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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5. Long-term debt, continued

	2003	2002
Balance forward	\$ 4,054,110	\$ 5,530,781
(w) Mortgage payable to Mearnie Summers is secured by a charge on the Thwaytes Landing property and bears interest at 4.0% per annum. The balance is due on May 30, 2003.	500,000	500,000
(x) Loan payable bears interest calculated at 6.00% per annum and is repayable in blended monthly payments of \$1,500. Due July 15, 2003.	36,426	40,367
(y) Loan payable to the Executive Director bears no interest and has no set terms of repayment.	27,796	27,799
(z) Loan payable bears no interest and has no set terms of repayment.	18,000	18,000
(aa) Loan payable to the Province of British Columbia bears interest at the CIBC reference rate per annum, payable annually. Due on demand.	300,000	300,000
(bb) Various loans payable bear interest calculated at 4% per annum and have no principal payments until the due dates of approximately November 2005.	134,000	-
(cc) Mortgage related to the Wildwood project bears interest calculated at 6% per annum with principal payments of \$10,080 per year. Due April 20, 2008.	100,000	-
(dd) Mortgage related to the Wildwood project bears interest calculated at 6% per annum with principal payments of \$10,080 per year. Due April 20, 2008.	100,000	-
	<hr/> 5,270,332	<hr/> 6,416,947
Less: Current portion	1,605,000	1,430,000
	<hr/> \$ 3,665,332	<hr/> \$ 4,986,947
	<hr/> <hr/>	<hr/> <hr/>

5. Long-term debt, continued

Estimated principal payments for the next five years are as follows:

2004	\$	1,605,000
2005		1,645,000
2006		465,000
2007		76,000
2008		245,000
Thereafter		1,234,332
		<hr/>
	\$	5,270,332
		<hr/> <hr/>

6 Agreements for sale

(a) Sooke Hills

On February 4, 2001, the Society entered into an agreement with the Capital Regional District for the sale of lands held by the Society in the Malahat, Otter and Sooke Districts (known as "the Sooke Hills"). The total sale price for the properties is \$3,000,000. Title to the properties will transfer to the Capital Regional District as payments are received by the Society. During the year ended April 30, 2003, the Society transferred Parcels 11 and 13 of the property and received \$600,000. When land is transferred, the difference between the proceeds and cost are treated as a donation. The remainder of the property will be transferred as follows:

Transfer Date	Land Parcel	Proceeds per Agreement	Cost
April 1, 2004	12	\$ 600,000	\$ 1,240,200
April 1, 2005	10, 14, 15 and 16	600,000	1,319,700
		<hr/>	<hr/>
		\$ 1,200,000	\$ 2,559,900
		<hr/> <hr/>	<hr/> <hr/>

(b) Salt Spring Island

On December 6, 2001, the Society entered into an agreement with the Capital Regional District ("CRD") for sale of land held on South Salt Spring Island. The total sale price for the properties is \$1,000,000. The parcel of land consists of three lots, one of which was transferred in 2003, with the remainder being transferred on January 15, 2004 and 2006, as follows:

Transfer Date	Land Parcel	Proceeds per Agreement	Cost
January 15, 2004	17	\$ 200,000	\$ 335,537
January 15, 2006	57	400,000	1,275,189
		<hr/>	<hr/>
		\$ 600,000	\$ 1,610,726
		<hr/> <hr/>	<hr/> <hr/>

6. Agreements for sale, continued

(c) Thwaytes Landing

On January 23, 2002, the Society entered into an agreement with Pacific Parklands Foundation, the District of North Vancouver and the Greater Vancouver Regional District ("GVRD") to purchase a property referred to as Thwaytes Landing. The Society's one-third interest in this property has been recorded as land. The Society has also recognized a \$500,000 mortgage against the property.

Concurrent with the purchase, the Society has granted the GVRD an option to purchase the property for \$1. Under the terms of the option, the GVRD would assume the remaining balance of the mortgage, if any.

7. Commitments and contingencies

(a) Nanaimo River property lease

During the year ended April 30, 2001, the Society entered into a ninety-nine year lease with the Regional District of Nanaimo for the Nanaimo River property. Under the terms of this lease, the Society will receive future lease revenue, designed to coincide with payment requirements of the mortgage on the same property, as follows:

June 26, 2003	\$	50,000
		<hr/>
	\$	50,000
		<hr/> <hr/>

(b) Craigflower Manor and Schoolhouse

On April 30, 2003, the Society entered into agreements with the Province of British Columbia to manage the Craigflower Manor and Schoolhouse, two historic sites. Under the terms of the agreements, which run until March 31, 2008, the Society is to receive \$125,000 for the first year's refurbishing and operation of the sites. For subsequent years, the Society is eligible to apply for up to \$15,000 per site; \$30,000 in aggregate, for the maintenance of the sites.

8. Supplemental cash flow information

Changes in non-cash working capital

	General Fund	Restricted Fund	2003 Total	2002 Total
Decrease (increase) in accounts receivable	\$ 36,153	\$ (21,624)	\$ 14,529	\$ (13,417)
Decrease (increase) in prepaid expenses	(6,420)	735	(5,685)	8,015
Decrease (increase) in inventory	(14,521)	-	(14,521)	1,072
Increase (decrease) in accounts payable and accrued liabilities	67,249	-	67,249	126,433
	<u>\$ 82,461</u>	<u>\$ (20,889)</u>	<u>\$ 61,572</u>	<u>\$ 122,103</u>

Interest on long-term debt paid on a cash basis was \$370,595 (2002 - \$372,808).

