



Consolidated Financial Statements

TLC The Land Conservancy of British Columbia

(Unaudited – see Notice to Reader)

April 30, 2014

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Notice to Reader

Grant Thornton LLP
3rd Floor
888 Fort Street
Victoria, BC
V8W 1H8
T +1 250 383 4191
F +1 250 381 4623
www.GrantThornton.ca

On the basis of information provided by the organization, we have compiled the consolidated statement of financial position of TLC The Land Conservancy of British Columbia as at April 30, 2014 and the consolidated statements of operations, changes in fund balances, and cash flows for the year then ended.

We have not performed an audit or a review engagement in respect of these consolidated financial statements and, accordingly, we express no assurance thereon.

Readers are cautioned that these statements may not be appropriate for their purposes.

Victoria, Canada
November 20, 2014



Chartered accountants

TLC The Land Conservancy of British Columbia

Consolidated Statement of Operations

(Unaudited – see Notice to Reader)

Year ended April 30

2014

| | General Fund | Restricted Fund | Endowment Fund | Total |
|-------------------------------------|-----------------------|---------------------|-------------------|-----------------------|
| Revenue | | | | |
| Donations and bequests | \$ 412,156 | \$ 30,810 | \$ - | \$ 442,966 |
| Grants | 68,695 | 4,415 | - | 73,110 |
| Memberships | 303,965 | 430 | - | 304,395 |
| Other income | 47,969 | 7,388 | - | 55,357 |
| Donations in-kind | 58,695 | 7,166 | 10,000 | 75,861 |
| Rental income | 164,013 | - | - | 164,013 |
| Debt forgiveness | 122,848 | 460 | - | 123,308 |
| | <u>1,178,341</u> | <u>50,669</u> | <u>10,000</u> | <u>1,239,010</u> |
| Expenses | | | | |
| Advertising and promotion | - | 579 | - | 579 |
| Amortization | 65,269 | 3,881 | - | 69,150 |
| Interest and bank charges | 89,009 | - | - | 89,009 |
| Interest on long-term debt | 102,794 | 165,559 | - | 268,353 |
| Insurance | 68,435 | - | - | 68,435 |
| Licenses, dues and fees | 4,181 | 839 | - | 5,020 |
| Loss on disposal of assets | 2,796 | 394,765 | - | 397,561 |
| Memberships | 50 | 695 | - | 745 |
| Office supplies, printing, postage | 15,472 | 934 | - | 16,406 |
| Professional fees | 122,714 | - | - | 122,714 |
| Other expenses | 50,081 | 58,247 | - | 108,328 |
| Property taxes | 8,514 | 61,110 | - | 69,624 |
| Rent and utilities | 166,588 | 27,884 | - | 194,472 |
| Repairs and maintenance | 1,297 | 5,184 | - | 6,481 |
| Salaries, wages and benefits | 421,587 | 40,358 | - | 461,945 |
| Telephone | 20,978 | 4,879 | - | 25,857 |
| Transfers to other agencies | - | 72,743 | - | 72,743 |
| Travel | 9,580 | 1,437 | - | 11,017 |
| Restructuring fees | 1,643,181 | - | - | 1,643,181 |
| | <u>2,792,526</u> | <u>839,094</u> | <u>-</u> | <u>3,631,620</u> |
| Deficiency of revenue over expenses | \$ <u>(1,614,185)</u> | \$ <u>(788,425)</u> | \$ <u>10,000</u> | \$ <u>(2,392,610)</u> |

See accompanying notes to the consolidated financial statements.

TLC The Land Conservancy of British Columbia
Consolidated Statement of Changes in Fund Balances

(Unaudited – see Notice to Reader)

Year ended April 30

2014

| | <u>General Fund</u> | <u>Restricted Fund</u> | <u>Endowment Fund</u> | <u>Total</u> |
|-------------------------------------|------------------------------|-----------------------------|---------------------------|-----------------------------|
| Fund balances, beginning of year | \$ (2,680,692) | 43,314,550 | 400,000 | \$ 41,033,858 |
| Deficiency of revenue over expenses | (1,614,185) | (788,425) | 10,000 | (2,392,610) |
| Interfund transfers | - | 400,000 | (400,000) | - |
| Fund balances, end of year | <u>\$ (4,294,877)</u> | <u>\$ 42,926,125</u> | <u>\$ 10,000</u> | <u>\$ 38,641,248</u> |

See accompanying notes to the consolidated financial statements.

TLC The Land Conservancy of British Columbia

Consolidated Statement of Financial Position

(Unaudited – see Notice to Reader)

April 30

2014

| | General Fund | Restricted Fund | Endowment Fund | Total |
|-----------------------------------|--------------------|----------------------|-------------------|----------------------|
| Assets | | | | |
| Current | | | | |
| Cash and cash equivalents | \$ 241,530 | \$ - | \$ - | \$ 241,530 |
| Cash held in trust (Note 3) | - | 728,633 | - | 728,633 |
| Receivables | 57,514 | 1,896 | - | 59,410 |
| Prepays | 42,967 | - | - | 42,967 |
| | <u>342,011</u> | <u>730,529</u> | <u>-</u> | <u>1,072,540</u> |
| Investments (Note 4) | 164,000 | - | - | 164,000 |
| Capital assets (Note 5) | 66,198 | 46,448,494 | - | 46,514,692 |
| | <u>\$ 572,209</u> | <u>\$ 47,179,023</u> | <u>\$ -</u> | <u>\$ 47,751,232</u> |
| Liabilities | | | | |
| Current | | | | |
| Payables and accruals | \$ 2,844,179 | \$ 48,789 | \$ - | \$ 2,892,968 |
| Due to (from) other Fund | 300,513 | (290,513) | (10,000) | - |
| Senior secured loans (Note 7) | - | 2,057,134 | - | 2,057,134 |
| Current portion of long-term debt | 978,042 | 2,270,924 | - | 3,248,966 |
| | <u>4,122,734</u> | <u>4,086,334</u> | <u>(10,000)</u> | <u>8,199,068</u> |
| Long-term debt (Note 6) | 744,352 | 166,564 | - | 910,916 |
| | <u>4,867,086</u> | <u>4,252,898</u> | <u>(10,000)</u> | <u>9,109,984</u> |
| Fund Balances | | | | |
| Invested in capital assets | 66,198 | 44,011,006 | - | 44,077,204 |
| Externally restricted | - | (1,084,881) | 10,000 | (1,074,881) |
| Unrestricted | (4,361,075) | - | - | (4,361,075) |
| | <u>(4,294,877)</u> | <u>42,926,125</u> | <u>10,000</u> | <u>38,641,248</u> |
| | <u>\$ 572,209</u> | <u>\$ 47,179,023</u> | <u>\$ -</u> | <u>\$ 47,751,232</u> |

On behalf of the Board

Director

Director

See accompanying notes to the consolidated financial statements.

TLC The Land Conservancy of British Columbia

Consolidated Statement of Cash Flows

(Unaudited – see Notice to Reader)
Year ended April 30

2014

Increase (decrease) in cash

Operating activities

| | |
|-------------------------------------|--------------------|
| Deficiency of revenue over expenses | \$ (2,392,610) |
| Items not involving cash | |
| Amortization of capital assets | 69,150 |
| Loss on disposal of capital assets | (397,561) |
| Donations in kind | (36,044) |
| | <u>(2,757,065)</u> |

| | |
|--|--------------------|
| Changes in non-cash operating working capital (Note 8) | <u>1,457,664</u> |
| | <u>(1,299,401)</u> |

Financing activities

| | |
|--|--------------------|
| Senior secured loans advanced | 2,057,134 |
| Loan principal repayments, net of advances | <u>(1,810,301)</u> |
| | <u>246,833</u> |

Investing activities

| | |
|-------------------------------------|------------------|
| Proceeds on disposal of investments | 400,750 |
| Purchase of land and capital assets | (23,218) |
| Proceeds on sale of capital assets | <u>1,143,972</u> |
| | <u>1,521,504</u> |

| | |
|--|-------------------|
| Net increase in cash and cash equivalents | 468,936 |
| Cash and cash equivalents (net of line of credit), beginning of year | <u>(227,406)</u> |
| Cash and cash equivalents, end of year | \$ <u>241,530</u> |

See accompanying notes to the consolidated financial statements.

TLC The Land Conservancy of British Columbia

Notes to the Consolidated Financial Statements

(Unaudited – see Notice to Reader)

April 30, 2014

1. Purpose of the Society and Companies' Creditors Arrangement Act

(a) Purpose of the Society

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.

As a charity, the Society's primary sources of revenue are contributions from the public (including gifts of land), membership revenue, and government grants. These resources are used to carry out the Society's mandate as described above. The Society continually seeks funding to continue its conservation activities and to meet its ongoing administrative requirements and to fund on-going costs associated with the ownership, maintenance and up-keep of such conservation assets.

(b) Companies' Creditors Arrangement Act Status

The Land Conservancy of British Columbia (TLC) chose to explore options to restructure the organization, protect as many properties as possible, and pay off debts. After considering all possible options, TLC has concluded that only a court supervised restructuring process will provide the outcomes it has been working towards.

The legislation that TLC has utilized for this process is the Companies' Creditors Arrangement Act (CCAA). The CCAA is federal government legislation that grants an organization time to restructure while under the direction and protection of the Court. The prime benefit for TLC of filing for protection under the CCAA is that it provides a stay of proceedings, wherein creditors and other stakeholders cannot take legal action against TLC without permission from the Court. The Court must also approve any actions regarding the disposition or conveyance of the properties that TLC holds in its portfolio. The CCAA process is conducted under the review of an independent, court appointed Monitor and under the supervision of a judge of the Supreme Court of British Columbia.

TLC was granted the order in Vancouver from the BC Supreme Court under the CCAA on October 7, 2013 for a one year period. On October 17, 2014, TLC returned to Court to extend the Stay Period to February 2, 2015.

2. Principles of consolidation

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

TLC The Land Conservancy of British Columbia

Notes to the Consolidated Financial Statements

(Unaudited – see Notice to Reader)

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3. Cash held in trust

Proceeds from sales of properties and debtor-in-possession funding are placed in trust as part of the restructuring process and are used for repayments under the direction of the monitor.

4. Investments

| | <u>2014</u> |
|--|-------------------|
| Investment in Horse Lake Community Farm Co-operative | \$ 5,000 |
| Living Forest One Limited Partnership | 35,000 |
| Charitable Remainder Trust investments | <u>124,000</u> |
| | <u>\$ 164,000</u> |

The Society is named as a beneficiary of two Charitable Remainder Trusts. The balance of \$124,000 represents the actuarial value of the trusts at the date of funding.

5. Capital assets

| | <u>2014</u> | | |
|-------------------------|----------------------|-------------------------------------|---------------------------|
| | <u>Cost</u> | <u>Accumulated amortization</u> | <u>Net book value</u> |
| Restricted Fund | | | |
| Conservation lands | \$ 28,994,924 | \$ - | \$ 28,994,924 |
| Conservation covenants | 16,413,399 | - | 16,413,399 |
| Buildings | 1,394,151 | 467,205 | 926,946 |
| Furniture and equipment | 203,509 | 170,988 | 32,521 |
| Historic collections | 59,771 | - | 59,771 |
| Leasehold improvements | <u>30,202</u> | <u>9,269</u> | <u>20,933</u> |
| | <u>\$ 47,095,956</u> | <u>\$ 647,462</u> | <u>\$ 46,448,495</u> |
| General Fund | | | |
| Furniture and equipment | \$ 160,061 | \$ 122,772 | \$ 37,289 |
| Computer equipment | 70,364 | 65,461 | 4,903 |
| Vehicle | <u>71,073</u> | <u>47,066</u> | <u>24,007</u> |
| | <u>\$ 301,498</u> | <u>\$ 235,299</u> | <u>\$ 66,199</u> |

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6. Long term debt

2014

The information noted below pertains to the original terms and conditions of the loans. These conditions have changed due to TLC entering into a restructuring under CCAA

| | | | |
|-----|--|----|---------|
| (a) | Non-interest bearing note is unsecured and is due on demand | \$ | 41,750 |
| (b) | Mortgage related to Horsefly River property is secured by a first charge on real property, bears interest at 5.5% per annum and is repayable in monthly payments of \$539, principal and interest | | 55,127 |
| (c) | Mortgage related to Horsefly River property is secured by a first charge on real property, bears interest at 5.5% per annum and is repayable in monthly payments of \$539, principal and interest | | 55,127 |
| (d) | Mortgage payable to Coast Capital Savings Credit Union related to Ross Bay Villa Project, is secured by real property, bears interest at prime plus 2.0% per annum and is repayable in blended monthly payments of \$1,156, principal and interest | | 117,156 |
| (e) | Mortgage payable is secured by Qualicum Bathhouse property, bears interest at 5.25% per annum and is repayable in annual payments of interest only. Due February 2016 | | 106,520 |
| (f) | Mortgage payable is secured by Abkhazi property #2, bears interest at 6.0% and is repayable in monthly payments of \$409, principal and interest. Due February 2015 | | 60,444 |
| (g) | Mortgage payable, related to Madrona Farm, is secured by real property, bears interest at 6.0% per annum with monthly interest only payments. Due December 2016 | | 1,294 |
| (h) | Mortgages payable to Coast Capital Savings Credit Union related to the Qualicum Bathhouse property, is secured by real property, bears interest at prime plus 2.0% per annum and is repayable in blended monthly payments of \$361. | | 36,266 |
| (i) | Mortgage payable with a charge on a lot purchased and now incorporated into the Abkhazi Garden property, bears interest at 6.0% per annum and is repayable in blended monthly payments of \$496, principal and interest. Due December 2014 | | 56,384 |

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Notes to the Consolidated Financial Statements

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6. Long term debt (continued)

| | |
|---|----------------|
| (j) Various unsecured loans payable bearing interest at 4.0% per annum and having no principal payments until the due dates between October 2012 to November 2014 | 24,000 |
| (k) Mortgage payable, related to Wycliffe property, is secured by real property, bears interest at 5.0% per annum and is repayable in monthly principal payments of \$500 plus interest. | 14,429 |
| (l) Mortgage payable to the Grand Forks District Savings Credit Union is secured by a first charge on real property, bears interest at a variable rate at 5.75% and is repayable with blended monthly payments of \$500, principal and interest | 34,560 |
| (m) Unsecured loan bears no interest and is repayable with monthly payments of principal only, after the loan mentioned under (a) has been repaid. Due on demand | 457,700 |
| (n) Mortgage payable, secured by Kogawa House property, bears interest at 6.0% per annum and is repayable with blended monthly payments of \$709, principal and interest | 107,732 |
| (o) Mortgage payable, secured by Luke Creek property, bears interest at 2.8% per annum and is repayable with blended monthly payments of \$366, principal and interest | 29,041 |
| (p) Unsecured loan payable, bears interest at 1.0% per annum and is repayable with interest payable annually on the anniversary date of the loan. | 5,000 |
| (q) Various unsecured loans payable, bearing interest from 3.5% to 8.0% per annum and with interest payable annually on the anniversary date of the loan. No principal payments are due until the loan maturity dates which occur over November 2011 to February 2015 | 442,605 |
| (r) Various unsecured loans payable, bearing interest from 2.8% to 5.0% per annum with interest payable on maturity. No principal payments are due until the loan maturity dates which occur over November 2012 to July 2019. The unpaid interest on one loan was added to the debt outstanding | 102,486 |
| (s) Unsecured loan payable, bears interest at 4.0% per annum and is repayable with interest payable annually on the anniversary date of the loan. Due June 2014 | 107,140 |

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Notes to the Consolidated Financial Statements

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6. Long term debt (continued)

| | |
|---|--------------------------|
| (t) Unsecured loan payable, bears interest at 8.0% per annum and is repayable with interest payable annually on the anniversary date of the loan. Due June 2015 | 59,061 |
| (u) Various unsecured loans payable, bearing interest at 6.0% per annum with interest payable annually on the anniversary date of each of the loans. No principal payments are due until the loan maturity dates which occur over February 2012 to January 2015 | 217,103 |
| (v) Mortgage payable, secured by Cowichan River property, bears interest at 6.0% per annum and is repayable with blended monthly payments of \$640, principal and interest. Due March 2015 | 28,217 |
| (w) Mortgage payable, secured by Abkhazi Garden property, bears interest at 11.5% per annum and is repayable with blended monthly payments of \$12,654, principal and interest. Due May 2014 | 805,632 |
| (x) Mortgage payable secured by Sechelt property, bears interest at 6.0% per annum and is repayable with monthly payments of interest only. Due January 2015 | 229,200 |
| (y) Unsecured loans bearing 1% interest per annum, with interest payable on due date. Due dates between August and October 2021 | 500,000 |
| (z) Unsecured loan, bears interest at prime plus 2% per annum, with interest payable monthly. Due on demand | 465,910 |
| | <u>4,159,884</u> |
| Less: current portion | <u>3,248,966</u> |
| | <u>\$ 910,918</u> |

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

| | |
|------------|----------------------------|
| 2015 | \$ 3,248,966 |
| 2016 | 168,582 |
| 2017 | 164,268 |
| 2018 | 3,000 |
| 2019 | 3,000 |
| Thereafter | <u>572,068</u> |
| | <u>\$ 4,159,884</u> |

TLC The Land Conservancy of British Columbia

Notes to the Consolidated Financial Statements

(Unaudited – see Notice to Reader)

April 30, 2014

7. Senior secured loans 2014

Senior secured super-priority , debtor-in-possession credit facility, bears interest from 5.0% to 8.0% per annum, Secured by several properties. As properties are sold, new securities will be given. Due October 2014, upon sale of any property or assets subject to the Security and/or on demand, whichever first occurs

\$ 2,057,134

8. Supplementary cash flow information 2014

Changes in non-cash working capital

| | |
|-----------------------|------------------|
| Receivables | \$ 13,574 |
| Prepays | (34,883) |
| Inventory | 10,337 |
| Payables and accruals | <u>1,468,636</u> |

\$ 1,457,664
