



Consolidated Financial Statements

TLC The Land Conservancy of British Columbia

April 30, 2015

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## Independent Auditors' Report

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To the directors of TLC The Land Conservancy of British Columbia

We have audited the accompanying consolidated financial statements of TLC The Land Conservancy of British Columbia, which comprise the consolidated statement of financial position as at April 30, 2015, and the consolidated statements of operations, changes in fund balances, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **Management's responsibility for the financial statements**

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated 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 consolidated financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our qualified audit opinion.

**Basis for qualified opinion**

In common with many non-profit organizations, the Society derives revenue from donations and fundraising activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Society. Therefore, we were not able to determine whether any adjustments might be necessary to donation revenue, deficiency of revenue over expenses, and cash flows from operations for the year ended April 30, 2015, assets as at April 30, 2015, and changes in fund balances and cash flows for the year ended April 30, 2015.

**Qualified opinion**

In our opinion, except for the possible effects of the matter described in the *Basis for qualified opinion* paragraph, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Society as at April 30, 2015, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

**Emphasis of matter**

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements, which indicates that the Society filed for creditors protection under the Companies' Creditors Arrangement Act. These conditions, along with the other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the Society's ability to continue as a going concern.

**Comparative information**

Without modifying our opinion, we draw attention to Note 3 to the financial statements which describes that the Society adopted Canadian accounting standards for not-for-profit organizations on May 1, 2014 with a transition date of May 1, 2013. These standards were applied retrospectively by management to the comparative information in these financial statements, including the statements of financial position as at April 30, 2014, and the statements of operations, changes in fund balances and cash flows for the year ended April 30, 2014 and related disclosures. We were not engaged to report on the restated comparative information, and as such, it is unaudited.

Victoria, Canada  
November 18, 2015



Chartered Professional Accountants

# TLC The Land Conservancy of British Columbia

## Consolidated Statement of Operations

Year ended April 30

2015

2014

	General Fund	Restricted Fund	Endowment Fund	Total	(unaudited) (note 9) Total
<b>Revenue</b>					
Donations and bequests	\$ 1,086,030	\$ 42,277	\$ -	\$ 1,128,307	\$ 442,966
Grants	16,387	-	-	16,387	73,110
Memberships	249,387	678	-	250,065	304,395
Other income	7,855	380	-	8,235	55,357
Donations in-kind	52,710	53	-	52,763	75,861
Rental income	33,897	49,888	-	83,785	164,013
Debt forgiveness	-	10,069	-	10,069	123,308
	<u>1,446,266</u>	<u>103,345</u>	<u>-</u>	<u>1,549,611</u>	<u>1,239,010</u>
<b>Expenses</b>					
Amortization	822	60,642	-	61,464	69,150
Consulting	6,097	-	-	6,097	-
Interest and bank charges	155,154	-	-	155,154	89,009
Interest on long-term debt	-	287,229	-	287,229	283,727
Insurance	69,246	-	-	69,246	68,435
Office supplies, printing, postage	18,027	-	-	18,027	16,406
Professional fees	142,760	4,401	-	147,161	122,714
Other expenses	52,798	881	-	53,679	137,411
Property taxes	-	60,487	-	60,487	69,624
Rent and utilities	9,132	26,205	-	35,337	194,472
Repairs and maintenance	442	14,587	-	15,029	6,481
Salaries, wages and benefits	393,295	11,506	-	404,801	411,945
Telephone	39,909	1,012	-	40,921	25,857
Transfer of conservation lands	-	2,414,041	-	2,414,041	474,806
Travel	5,245	120	-	5,365	11,017
Restructuring fees	1,060,065	-	-	1,060,065	1,726,040
	<u>1,952,992</u>	<u>2,881,111</u>	<u>-</u>	<u>4,834,103</u>	<u>3,707,094</u>
Deficiency of revenue over expenses	\$ <u>(506,726)</u>	\$ <u>(2,777,766)</u>	\$ <u>-</u>	\$ <u>(3,284,492)</u>	\$ <u>(2,468,084)</u>

See accompanying notes to the consolidated financial statements.

## TLC The Land Conservancy of British Columbia

### Consolidated Statement of Changes in Fund Balances

Year ended April 30

2015

2014

	<u>General Fund</u>	<u>Restricted Fund</u>	<u>Endowment Fund</u>	<u>Total</u>	<u>Total</u>
Fund balances, beginning of year	\$ (4,360,797)	\$ 42,837,065	\$ 10,000	\$ <b>38,486,268</b>	41,033,858
Deficiency of revenue over expenses	<u>(506,726)</u>	<u>(2,777,766)</u>	<u>-</u>	<u><b>(3,284,492)</b></u>	<u>(2,547,590)</u>
Fund balances, end of year	<u>\$ (4,867,523)</u>	<u>\$ 40,059,299</u>	<u>\$ 10,000</u>	<u>\$ <b>35,201,776</b></u>	<u>38,486,268</u>

See accompanying notes to the consolidated financial statements.

# TLC The Land Conservancy of British Columbia

## Consolidated Statement of Financial Position

April 30

2015

2014

(unaudited)  
(note 9)

	General Fund	Restricted Fund	Endowment Fund	Total	Total
<b>Assets</b>					
Current					
Cash and cash equivalents	\$ 446,886	\$ -	\$ -	\$ 446,886	\$ 241,530
Cash held in trust	-	27,329	-	27,329	728,633
Receivables	84,349	-	-	84,349	36,671
Prepays	500	38,719	-	39,219	42,967
	<u>531,735</u>	<u>66,048</u>	<u>-</u>	<u>597,783</u>	<u>1,049,801</u>
Investments (Note 4)	164,000	-	-	164,000	164,000
Conservation covenants (Note 2g)	-	16,413,399	-	16,413,399	16,413,399
Capital assets (Note 5)	30,020	27,147,634	-	27,177,654	30,017,286
	<u>\$ 725,755</u>	<u>\$ 43,627,081</u>	<u>\$ -</u>	<u>\$ 44,352,836</u>	<u>\$ 47,644,486</u>

### Liabilities

Current

Payables and accruals	\$ 3,213,776	\$ -	\$ -	\$ 3,213,776	2,919,449
Due to (from) other Fund	639,608	(629,608)	(10,000)	-	-
Senior secured loans (Note 7)	-	1,844,894	-	1,844,894	2,057,134
Long-term debt (Note 6)	1,739,894	2,352,496	-	4,092,390	4,181,635
	<u>5,593,278</u>	<u>3,567,782</u>	<u>(10,000)</u>	<u>9,151,060</u>	<u>9,158,218</u>

### Fund Balances

Invested in conservation covenants	-	16,413,399	-	16,413,399	16,413,399
Invested in capital assets	30,020	24,795,138	-	24,825,158	27,597,885
Externally restricted	-	(1,149,238)	10,000	(1,139,238)	(1,074,881)
Unrestricted	(4,897,543)	-	-	(4,897,543)	(4,450,135)
	<u>(4,867,523)</u>	<u>40,059,299</u>	<u>10,000</u>	<u>35,201,776</u>	<u>38,486,268</u>
	<u>\$ 725,755</u>	<u>\$ 43,627,081</u>	<u>\$ -</u>	<u>\$ 44,352,836</u>	<u>\$ 47,644,486</u>

Subsequent events (note 12)

On behalf of the Board: \_\_\_\_\_ Director \_\_\_\_\_ Director

# TLC The Land Conservancy of British Columbia

## Consolidated Statement of Cash Flows

Year ended April 30

2015

2014

	General Fund	Restricted Fund	Endowment Fund	(unaudited)	
Increase (decrease) in cash					
<b>Operating activities</b>					
Deficiency of revenue over expenses	\$ (506,726)	\$ (2,777,766)	\$ -	\$ (3,284,492)	\$ (2,468,084)
Items not involving cash					
Amortization of capital assets	822	60,642	-	61,464	69,150
Transfer of non cash assets	-	2,014,041	-	2,014,041	402,063
	<u>(505,904)</u>	<u>(703,083)</u>	<u>-</u>	<u>(1,208,987)</u>	<u>(1,996,871)</u>
Changes in non-cash operating working capital (Note 8)	336,006	615,692	-	951,698	948,497
	<u>(169,898)</u>	<u>(87,391)</u>	<u>-</u>	<u>(257,289)</u>	<u>(1,048,374)</u>
<b>Financing activities</b>					
Senior secured loans, net change	-	(212,240)	-	(212,240)	2,057,134
Long term debt, net change	-	(89,245)	-	(89,245)	(1,993,622)
	<u>-</u>	<u>(301,485)</u>	<u>-</u>	<u>(301,485)</u>	<u>63,512</u>
<b>Investing activities</b>					
Proceeds on disposal of investments	-	-	-	-	400,750
Purchase of capital assets	(2,599)	-	-	(2,599)	(19,823)
Proceeds on transfer of conservation lands	-	766,729	-	766,729	1,072,871
	<u>(2,599)</u>	<u>766,729</u>	<u>-</u>	<u>764,130</u>	<u>1,453,798</u>
Net change in due to (from) other funds	377,853	(377,853)	-	-	-
Net increase in cash and cash equivalents	(172,497)	377,853	-	205,356	468,936
Cash and cash equivalents, beginning of year	241,530	-	-	241,530	(227,406)
Cash and cash equivalents, end of year	\$ <u>446,886</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>446,886</u>	\$ <u>241,530</u>

See accompanying notes to the consolidated financial statements.

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# **TLC The Land Conservancy of British Columbia**

## **Notes to the Consolidated Financial Statements**

April 30, 2015

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### **1. Purpose of the Society, going concern and creditor protection**

#### **(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) Going concern and Companies' Creditors Arrangement Act Status**

The consolidated financial statements were prepared using Canadian Accounting Standards for Not-for-Profit Organizations (ASNPO) that are applicable to a going concern. The going concern basis assumes that the Society will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of operations.

On October 7, 2013, the Society sought creditor protection under the Companies' Creditors Arrangement Act (the "CCAA") and obtained a stay order (the "Initial Order") from the British Columbia Supreme Court (the "Court"). Wolridge Mahon Limited (the "Monitor") was appointed by the Court as monitor in the proceedings and is responsible for reviewing the Society's ongoing operations, liaising with creditors and other stakeholders and reporting to the Court. The Initial Order provided for a stay of proceedings against the Applicants and their property for an initial period ending November 4, 2013 which the Court extended to April 25, 2014 then to June 25, 2014 then to October 17, 2014 then to February 2, 2014 then to April 30, 2015.

The Society developed a Plan of Compromise and Arrangement dated February 23, 2015 (the "Plan") which set out the terms and conditions for the settlement of the proven claims of affected creditors under the CCAA proceedings. On February 23, 2015, the Court issued a Meeting and Process Order, confirming that the Society was to convene a meeting of creditors to consider the Plan of Arrangement on March 30, 2015. On March 30, 2015 each of the creditor classes set out in the Plan, being the secured creditor class and the unsecured creditor class, voted in favour of acceptance of the Plan (as filed and as set out in the Meeting and Process Order) by the requisite majorities. After having received approval of the Plan from its creditors, the Society made its application to the Court on April 2, 2015, for a Sanction Order. The Supreme Court of B.C. approved the Plan of Arrangement as agreed upon by the Society and its creditors.

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# **TLC The Land Conservancy of British Columbia**

## **Notes to the Consolidated Financial Statements**

April 30, 2015

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### **1. Purpose of the Society, going concern and creditor protection (continued)**

The Society has a significant working capital deficiency of \$8,553,277, and an unrestricted deficit of \$506,726. There is significant doubt about the Society's ability to continue as a going concern. The Society will need to raise significant cash flow to fund operations and fund current and long term liabilities. There can be no assurances that additional funding will be available in the future. These uncertainties may cast significant doubt on the Society's ability to continue as a going concern and, ultimately, the appropriateness of the use of accounting principles applicable to a going concern.

It is managements' belief that this vital funding will continue in the future, therefore these consolidated financial statements have been prepared on a going concern basis, which assumes that the Society will be able to realize assets and discharge liabilities in the normal course of operations for the foreseeable future. In addition, management is taking steps to increase membership revenue, expanding its fundraising efforts, renegotiating debt repayment terms and reducing operating expense costs. As part of the plan of arrangement and compromise the subsequent to year end the Society transferred a number of properties in return for proceeds or debt forgiveness. See note 12 for further discussion. There can be no assurance that the steps management is taking will be successful.

These consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported revenues and expenses and statement of financial position classifications that would be necessary if the Society were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

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### **2. Summary of significant accounting policies**

#### **(a) 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.

#### **(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.

Membership revenue is assessed on a monthly or on an annual basis. Monthly membership revenue is recognized as received. Annual membership revenue is amortized to revenue on a monthly basis with the balance reflected as deferred membership revenue.

Rental income and all other revenues are recognized as revenue in the period in which it is earned.

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# TLC The Land Conservancy of British Columbia

## Notes to the Consolidated Financial Statements

April 30, 2015

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### 2. Summary of significant accounting policies (continued)

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

Restricted contributions subject to externally imposed restrictions specifying how the funds are to be used are disclosed in the Restricted Fund. The Restricted Fund also reflects contributions received for the acquisition and conservation of certain capital assets and net investment in such capital assets.

Endowment Funds report contributed resources that have been restricted for endowment purposes, either externally by the contributor or internally by the Board. Investment income earned on these funds is internally restricted to be re-invested into such funds, unless decided otherwise by the Board.

#### (c) Cash and cash equivalents

Cash and cash equivalents are comprised of cash in the bank, cash on hand and financial instruments with maturity dates of three months or less when acquired.

#### (d) Investments

Long-term investments are carried at cost and are written down when it has been determined that there has been a loss in value that is other than temporary.

#### (f) 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%
Furniture and equipment	5%, 20%, 30% and 50%
Computer equipment and software	30% and 50%
Vehicles	30%

The Society also owns historic collections with a cost of \$59,771 (2014: \$59,771). No amortization is being provided for on such assets.

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# TLC The Land Conservancy of British Columbia

## Notes to the Consolidated Financial Statements

April 30, 2015

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### 2. Summary of significant accounting policies (continued)

#### (g) Conservation land and covenants

A conservation covenant is a voluntary, written agreement between a landowner and one or more covenant holders. It can cover all or part of a parcel of property. In the agreement, the landowner promises to protect the land or features on the land in ways that are specified in the covenant. The conservation covenant is registered against title to the property in the British Columbia Land Title Register under section 219 of the Land Title Act. A conservation covenant registered under this section may be modified by the holder of the charge and the owner of the land charged, or discharged by the holder of the charge. Once registered on title, that agreement runs with the title and binds all future owners. Conservation lands and covenants are either purchased or donated.

Purchased conservation lands and covenants are recorded at cost when title is transferred. Contributed conservation lands and covenants are recorded at fair market value when title is transferred. Landowners may receive an income tax receipt for the donation of a conservation covenant to a registered charity. The value of the receipt is determined by a certified land appraiser and usually represents the difference in the appraised value of the property before and after the conservation restrictions are in place. A covenant's value is measured as the difference between the fair value of the property before and after the covenant is registered. The contributions are recorded as revenue and also as an asset in conservation lands and covenants. Properties transferred to others are recorded as a reduction of conservation land and covenants and net assets invested in conservation covenants.

#### (h) Contributed assets

Contributed capital assets are recognized at their fair value, which is supported by independent appraisal. During the current year, the Society did not receive any contributed lands or covenants.

#### (i) Endowment contributions

The Society receives endowment contributions which are specified for transfer for holding purposes to the Victoria Foundation. Receipts are shown as revenues of the General Fund and the corresponding transfer is shown in expenses under transfers to other agencies. These funds are held by the foundation and the Society is entitled to receive an annual distribution from income earned on them between 2% and 4.5%. As at March 31, 2015, the funds held by the foundations had a fair market value of approximately \$615,857.

#### (j) Financial instruments

Financial instruments are recorded at fair value on initial recognition. Investments that are quoted in an active market are subsequently measured at fair value with changes in fair value recorded in the statement of operations. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Society has not elected to carry any such financial instruments at fair value.

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

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# TLC The Land Conservancy of British Columbia

## Notes to the Consolidated Financial Statements

April 30, 2015

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### 2. Summary of significant accounting policies (continued)

#### (j) Financial instruments

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 Society 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 Society 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.

#### (k) Long-lived assets

The Society regularly reviews the long-term service potential of long-lived assets to the Society. If there is a change to the long-term service potential in the future, the Society may be required to record impairment charges for these assets.

#### (k) Use of estimates

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 consolidated financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from these estimates.

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### 3. Impact of the change in the basis of accounting

These financial statements are the first financial statements for which the Society has applied Canadian accounting standards for not-for-profit organizations ("ASNPO"). The financial statements for the year ended April 30, 2015 were prepared in accordance with ASNPO. Comparative period information presented for the year ended April 30, 2014 and the opening statement of financial position as at May 1, 2013 were prepared in accordance with ASNPO and the provisions set out in Section 1501 *First-time adoption by not-for-profit organizations*.

The date of transition to ASNPO is April 1, 2013. The adoption of the new accounting standards did not result in any adjustments to the previously reported assets, liabilities, fund balances, and excess of revenue over expenses of the Society. The transition to the new accounting standards did not result in any adjustments to the statement of cash flows.

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# TLC The Land Conservancy of British Columbia

## Notes to the Consolidated Financial Statements

April 30, 2015

4. Investments, at cost	<u>2015</u>	<u>2014</u> (unaudited)
Investment in Horse Lake Community Farm Co-operative	\$ 5,000	\$ 5,000
Living Forest One Limited Partnership	35,000	35,000
Charitable Remainder Trust investments	<u>124,000</u>	<u>124,000</u>
	<u>\$ 164,000</u>	<u>\$ 164,000</u>

5. Capital assets			<u>2015</u>	<u>2014</u> (unaudited)
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Net book value</u>	<u>Net book value</u>
Restricted Fund				
Conservation lands	\$ 26,231,102	\$ -	\$ 26,231,102	\$ 28,994,925
Buildings	1,258,249	434,710	823,539	868,174
Furniture and equipment	176,720	145,910	30,810	41,569
Historic collections	59,771	-	59,771	59,771
Leasehold improvements	<u>2,992</u>	<u>580</u>	<u>2,412</u>	<u>4,382</u>
	<u>\$ 27,728,834</u>	<u>\$ 581,200</u>	<u>\$ 27,147,634</u>	<u>\$ 29,968,821</u>
General Fund				
Furniture and equipmer	\$ 112,146	\$ 95,425	\$ 16,721	19,554
Computer equipment	72,963	67,662	5,301	4,903
Vehicle	<u>56,335</u>	<u>48,337</u>	<u>7,998</u>	<u>24,007</u>
	<u>\$ 241,444</u>	<u>\$ 211,424</u>	<u>\$ 30,020</u>	<u>\$ 48,464</u>

# TLC The Land Conservancy of British Columbia

## Notes to the Consolidated Financial Statements

April 30, 2015

<b>6. Long term debt</b>	<u>2015</u>	<u>2014</u> (unaudited)
<p>The information noted below pertains to the original terms and conditions of the loans. These conditions have changed due to the Society entering into a restructuring under CCAA. Interest accrues for secured creditors only. All debt is subject to the plan of arrangement and compromise.</p>		
(a) 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	<b>58,324</b>	55,127
(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	<b>58,324</b>	55,127
(c) 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	<b>127,733</b>	120,973
(d) Mortgage payable is secured by Qualicum Bathhouse property, bears interest at 5.25% per annum and is repayable in annual payments of interest only	<b>112,507</b>	106,520
(e) Mortgage payable is secured by Abkhazi property #2, bears interest at 6.0% and is repayable in monthly payments of \$409, principal and interest	<b>64,968</b>	60,444
(f) 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	<b>39,522</b>	37,430
(g) 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	<b>61,233</b>	56,384

# TLC The Land Conservancy of British Columbia

## Notes to the Consolidated Financial Statements

April 30, 2015

### 6. Long term debt (continued)

(h) 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	<b>15,270</b>	14,429
(i) 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	<b>38,351</b>	35,958
(j) 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	<b>122,278</b>	110,313
(k) 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	<b>30,228</b>	29,041
(l) 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	<b>30,122</b>	28,217
(m) 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	<b>916,580</b>	808,104
(n) Mortgage payable secured by Sechelt property, bears interest at 6.0% per annum and is repayable with monthly payments of interest only	-	229,200
(o) Various unsecured loans payable, bearing interest from 1.0% to 8.0% per annum with various payment terms	<b>2,416,950</b>	2,434,368
	<b><u>4,092,390</u></b>	<u>4,181,635</u>

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## TLC The Land Conservancy of British Columbia

### Notes to the Consolidated Financial Statements

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<b>7. Senior secured loans</b>	<u>2015</u>	<u>2014</u> (unaudited)
Senior secured super-priority, debtor-in-possession credit facility, bears interest at 8.0% per annum, Secured by Abkahzi Gardens, Monks point, and Ross Bay Villa. As properties are sold, new securities will be given. Debt is subject to the plan of arrangement and compromise	<b>\$ 1,844,894</b>	<b>\$ 2,057,134</b>

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#### 8. Supplementary cash flow information

	<u>General</u>	<u>Restricted</u>	<u>2015</u>	<u>2014</u> (unaudited)
Changes in non-cash working capital				
Cash held in trust	\$ -	\$ 701,304	<b>\$ 701,304</b>	(610,643)
Receivables	(49,574)	1,896	<b>(47,678)</b>	\$ 81,319
Prepays	42,467	(38,719)	<b>3,748</b>	(34,883)
Inventory	-	-	-	10,337
Payables and accruals	<u>343,113</u>	<u>(48,789)</u>	<b><u>294,324</u></b>	<u>1,502,367</u>
	<b>\$ 336,006</b>	<b>\$ 615,692</b>	<b>\$ 951,698</b>	<b>\$ 948,497</b>

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# TLC The Land Conservancy of British Columbia

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### 9. Comparative changes

The Society has restated certain prior year figures due to misstatements identified during the current year. The Society has determined that interest on long term debt was understated, GST payable was understated, accrued interest was overstated, accrued payables were understated, wages and salaries were overstated and capital assets were overstated in 2014. As a result of the correction, the following financial statement items as at 2014 have been increased (decreased) by the following amounts:

Consolidated statement of financial position at 2014

Capital assets	\$ (84,007)
Accounts payable and accrued liabilities	49,219
Long term debt	<u>21,753</u>
Retained earnings	\$ <u>(154,979)</u>

Consolidated statement of operations

Interest on long term debt	\$ 15,374
Wages and salaries	(50,000)
CCA expenses	82,860
Other expenses	22,739
Loss on disposal of assets	<u>84,006</u>
Net income	\$ <u>(154,979)</u>

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### 10. Commitments

The Society leases office space and Land under operating leases. The following are the minimum annual lease payments under the lease:

2016	\$ 8,470
2017	14,520
2018	<u>6,050</u>
	\$ <u>29,040</u>

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# TLC The Land Conservancy of British Columbia

## Notes to the Consolidated Financial Statements

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### 11. Financial Instruments

The Society is exposed to various risk through its financial instruments.

#### Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Society's main credit risks relate to its accounts receivable. There was no significant change in exposure from the prior year.

#### Interest rate risk

The Society is exposed to interest rate risk with respect to its fixed rate debt. In addition the Society is exposed to interest rate risk with respect to its floating rate debt because cash flows will fluctuate as the interest rate is linked to the bank's prime rate which is subject to change.

#### Liquidity risk

Liquidity risk is the risk that the Society will encounter difficulty in meeting the obligations associated with its financial liabilities. The Society's financial liabilities are comprised of its accounts payable, accrued liabilities, and accrued restructuring liabilities, the contractual maturities of which are not determinable, because it depends on the outcome of the CCAA claims process.

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### 12. Subsequent events

Subsequent to the statement of financial position date as part of the Plan of Arrangement and Compromise, established on April 2, 2015, the Society transferred certain properties in exchange for cash and forgiveness of debt.

Contributions from the transfer of properties include the following approximate amounts: Maltby Lake for \$750,000, Hardy Mountain Doukhobor Village for \$38,000, Monks Point for \$250,000 of cash and \$1,075,000 of debt forgiveness, and the Ross Bay Villa for \$129,000. For the transfer of 26 conservation properties the Nature Conservancy of Canada contributed \$1,500,000 to the Society's restructuring plan.

The contributions were used according to the plan of arrangement as follows (approximate amounts): \$360,000 was used to repay secured debt, \$800,000 was used to repay debtor-in-possession financing, and \$1,075,000 of debt forgiveness was related to debtor-in-possession financing. The remaining \$1,507,000 was used to pay professional fees related to the CCAA process.

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