



Consolidated Financial Statements

TLC The Land Conservancy of British Columbia

April 30, 2010

# Contents

	<b>Page</b>
Auditors' Report	1
Consolidated Statements of Operations	2
Consolidated Statement of Changes in Fund Balances	3
Consolidated Statement of Financial Position	4
Consolidated Statement of Changes in Funds Invested in Capital Assets	5
Consolidated Statement of Cash Flows	6
Notes to the Consolidated Financial Statements	7-25

## Auditors' report

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To the directors of  
TLC The Land Conservancy of British Columbia

We have audited the consolidated statement of financial position of TLC The Land Conservancy of British Columbia as at April 30, 2010 and the consolidated statements of operations, 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 and fundraising activities, the completeness of which is not susceptible to 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 and other revenues, net revenue, 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 donations and fundraising 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, 2010 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, Canada  
September 21, 2010



Chartered accountants

# TLC The Land Conservancy of British Columbia

## Consolidated Statement of Operations

Year Ended April 30

				2010	2009
	General Fund	Restricted Fund	Endowment Fund	Total	(Note 16) Total
<b>Revenue</b>					
Donations and bequests	\$ 1,857,497	\$ 984,839	\$ 400,000	\$ 3,242,336	\$ 3,118,242
Grants	338,182	93,323	-	431,505	3,470,337
Memberships	371,693	-	-	371,693	381,543
Other income	175,552	32,569	-	208,121	412,501
Donations in-kind	83,732	6,074,994	-	6,158,726	3,797,944
Rental income	144,939	83,989	-	228,928	239,671
	<u>2,971,595</u>	<u>7,269,714</u>	<u>400,000</u>	<u>10,641,309</u>	<u>11,420,238</u>
<b>Expenses</b>					
Advertising and promotion	47,105	15,046	-	62,151	135,611
Amortization	56,010	87,970	-	143,980	127,159
Conferences and seminars	6,520	3,205	-	9,725	21,895
Consulting	182,987	84,126	-	267,113	152,028
Fundraising	47,530	4,963	-	52,493	55,269
Interest and bank charges	33,195	-	-	33,195	45,149
Interest on long-term debt	122,718	132,495	-	255,213	393,785
Insurance	44,727	46,005	-	90,732	93,133
Licences, dues and fees	693	2,070	-	2,763	2,398
Memberships	-	4,398	-	4,398	3,971
Office supplies, printing, postage	59,388	18,624	-	78,012	89,278
Professional fees	51,493	4,591	-	56,084	37,210
Other expenses	39,917	45,280	-	85,197	127,657
Property taxes	8	78,443	-	78,451	88,679
Rent and utilities	137,170	37,538	-	174,708	179,051
Repairs and maintenance	65,828	112,159	-	177,987	119,263
Salaries, wages and benefits	791,080	993,932	-	1,785,012	2,002,873
Telephone	52,377	12,575	-	64,952	77,614
Transfers to other agencies	8,000	1,637,408	-	1,645,408	2,479,705
Travel	51,938	16,270	-	68,208	108,328
	<u>1,798,684</u>	<u>3,337,098</u>	<u>-</u>	<u>5,135,782</u>	<u>6,340,056</u>
Excess of revenue over expenses	\$ <u>1,172,911</u>	\$ <u>3,932,616</u>	\$ <u>400,000</u>	\$ <u>5,505,527</u>	\$ <u>5,080,182</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

				2010	2009
	General Fund	Restricted Fund	Endowment Fund	<b>Total</b>	(Note 16) Total
Fund balances, beginning of year					
As previously reported	\$ (1,606,602)	\$ 35,274,926	\$ -	\$ <b>33,668,324</b>	\$ 28,588,142
Adjustment of prior year interfund transfers (Note 15)	<u>(1,181,546)</u>	<u>1,181,546</u>	<u>-</u>	<u>-</u>	<u>-</u>
As restated	(2,788,148)	36,456,472	-	<b>33,668,324</b>	-
Excess of revenue over expenses	1,172,911	3,932,616	400,000	<b>5,505,527</b>	5,080,182
Interfund transfers	<u>(1,551,828)</u>	<u>1,551,828</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, end of year	\$ <u>(3,167,065)</u>	\$ <u>41,940,916</u>	\$ <u>400,000</u>	\$ <u><b>39,173,851</b></u>	\$ <u>33,668,324</u>

See accompanying notes to the consolidated financial statements.

# TLC The Land Conservancy of British Columbia

## Consolidated Statement of Financial Position

April 30

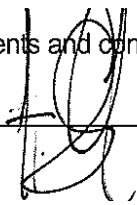
2010

2009

	General Fund	Restricted Fund	Endowment Fund	Total	(Note 16) Total
<b>Assets</b>					
Current					
Cash and cash equivalents	\$ 36,862	\$ 224,336	\$ -	\$ 261,198	\$ 342,780
Receivables (Note 9)	37,201	163,600	-	200,801	308,818
Prepays	33,567	5,852	-	39,419	24,170
Inventory	51,505	-	-	51,505	28,391
Deposits on land (Note 4)	-	260,570	-	260,570	83,923
	159,135	654,358	-	813,493	788,082
Investments (Notes 5 and 9)	-	134,502	-	134,502	335,602
Capital assets (Note 7)	191,102	43,932,920	-	44,124,022	40,353,636
	\$ 350,237	\$ 44,721,790	\$ -	\$ 45,072,017	\$ 41,477,320
<b>Liabilities</b>					
Current					
Line of credit	\$ -	\$ -	\$ -	\$ -	\$ 172,523
Payables and accruals (Note 6)	204,798	152,261	-	357,059	545,081
Refundable deposits	-	-	-	-	133,395
Deferred rental revenue	81,858	-	-	81,858	93,986
Deferred membership revenue	54,597	-	-	54,597	49,317
Due to (from) other Fund	1,412,849	(1,012,849)	(400,000)	-	-
Current portion of long-term debt	1,051,955	859,872	-	1,911,827	2,958,074
	2,806,057	(716)	(400,000)	2,405,341	3,952,376
Deferred revenue (Note 9)	-	262,167	-	262,167	497,490
Long-term debt (Note 8)	711,245	2,519,413	-	3,230,658	3,359,130
	3,517,302	2,780,864	(400,000)	5,898,166	7,808,996
<b>Fund Balances</b>					
Invested in capital assets	98,798	40,553,635	-	40,652,433	35,802,313
Externally restricted (Notes 2 and 13)	-	1,387,281	400,000	1,787,281	744,184
Unrestricted	(3,265,863)	-	-	(3,265,863)	(2,878,173)
	(3,167,065)	41,940,916	400,000	39,173,851	33,668,324
	\$ 350,237	\$ 44,721,790	\$ -	\$ 45,072,017	\$ 41,477,320

Going concern and commitments and contingencies (Notes 1 and 11)

On behalf of the Board



Director



Director

## TLC The Land Conservancy of British Columbia

### Consolidated Statement of Changes in Funds Invested in Capital Assets

Year Ended April 30				2010	2009
	General Fund	Restricted Fund	Endowment Fund	<b>Total</b>	(Note 16) Total
Investment in capital assets, beginning of year, as previously stated	\$ 226,045	\$ 34,530,742	\$ -	<b>\$ 34,756,787</b>	\$ 30,536,284
Prior period adjustment (Note 15)	<u>(136,020)</u>	<u>1,181,546</u>	<u>-</u>	<b><u>1,045,526</u></b>	<u>(129,626)</u>
As restated	90,025	35,712,288	-	<b>35,802,313</b>	30,406,658
Additions to capital assets	29,814	6,017,860	-	<b>6,047,674</b>	7,043,970
Disposition of capital assets	-	(2,133,307)	-	<b>(2,133,307)</b>	(2,209,821)
Amortization to capital assets	(56,010)	(87,970)	-	<b>(143,980)</b>	(127,159)
Reduction of debt relating to purchase of capital assets, net	<u>34,969</u>	<u>1,044,764</u>	<u>-</u>	<b><u>1,079,733</u></b>	<u>688,665</u>
Investment in capital assets, end of year	<b><u>\$ 98,798</u></b>	<b><u>\$ 40,553,635</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 40,652,433</u></b>	<b><u>\$ 35,802,313</u></b>

See accompanying notes to the consolidated financial statements.

# TLC The Land Conservancy of British Columbia

## Consolidated Statement of Cash Flows

Year Ended April 30

				2010	2009
	General Fund	Restricted Fund	Endowment Fund	<u>Total</u>	(Note 16) <u>Total</u>
Increase (decrease) in cash					
<b>Operating activities</b>					
Excess of revenue over expenses	\$ 1,172,911	\$ 3,932,616	\$ 400,000	\$ 5,505,527	\$ 5,080,182
Amortization of capital assets	56,010	87,970	-	143,980	127,159
Amortization of deferred revenue	-	(4,798)	-	(4,798)	(569)
Non-cash donations and transfers, net	-	(4,390,612)	-	(4,390,612)	(1,178,335)
	<u>1,228,921</u>	<u>(374,824)</u>	<u>400,000</u>	<u>1,254,097</u>	<u>4,028,437</u>
Changes in non-cash operating working capital (Note 12)	<u>(224,398)</u>	<u>(34,213)</u>	<u>-</u>	<u>(258,611)</u>	<u>(195,466)</u>
	<u>1,004,523</u>	<u>(409,037)</u>	<u>400,000</u>	<u>995,486</u>	<u>3,832,971</u>
<b>Financing activities</b>					
Loan principal repayments, net of advances	(129,954)	(1,044,765)	-	(1,174,719)	(713,660)
Due to (from) other Fund	<u>(635,371)</u>	<u>1,035,371</u>	<u>(400,000)</u>	<u>-</u>	<u>-</u>
	<u>(765,325)</u>	<u>(9,394)</u>	<u>(400,000)</u>	<u>(1,174,719)</u>	<u>(713,660)</u>
<b>Investing activities</b>					
Purchase of land and capital assets	(29,813)	(2,558)	-	(32,371)	(3,655,814)
Proceeds on sale of capital assets	-	504,192	-	504,192	-
Deposits paid on land, net	-	(176,647)	-	(176,647)	(35,045)
Investment in farming co-operative	-	(25,000)	-	(25,000)	(16,602)
	<u>(29,813)</u>	<u>299,987</u>	<u>-</u>	<u>270,174</u>	<u>(3,707,461)</u>
Net increase (decrease) in cash and cash equivalents	209,385	(118,444)	-	90,941	(588,150)
Cash and cash equivalents (net of line of credit), beginning of year	<u>(172,523)</u>	<u>342,780</u>	<u>-</u>	<u>170,257</u>	<u>758,407</u>
Cash and cash equivalents (net of line of credit), end of year	\$ <u>36,862</u>	\$ <u>224,336</u>	\$ <u>-</u>	\$ <u>261,198</u>	\$ <u>170,257</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, 2010

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### **1. Purpose of the Society and going concern**

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. Even though the Society has been successful in raising funds over its fourteen years of operation, and has a consistent record of growing its membership base year over year, there can be no assurances that additional funding will be available in the future. In addition, the organization has a significant working capital deficiency, and unrestricted deficit, and has incurred short and long term debt to fund general operations and for the acquisition of conservation lands and covenants. There is doubt about the Society's ability to continue as a going concern. It is managements' belief that this vital funding will continue in the future, therefore these 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, negotiate a line of credit, and is currently trying to sell an unencumbered piece of property with a list price of \$3,000,000, and then retire the related debt of \$607,000, and to provide additional cash flow for general operations, and on-going property related costs and programs.

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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.

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# TLC The Land Conservancy of British Columbia

## Notes to the Consolidated Financial Statements

April 30, 2010

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### 2. Summary of significant accounting policies

#### (b) Fund accounting and revenue recognition (continued)

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

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.

The General Fund supports the Restricted Fund when the excess of revenue over expenses of the Restricted Fund is not sufficient to cover the cost of the investment in capital assets by the Restricted Fund, and on-going ownership, maintenance and upkeep of such assets. The cumulative amount of support is shown in the offsetting accounts "Due to (from) Other Fund" in the Consolidated Statement of Financial Position.

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) 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.

#### (e) Inventory

Inventories of merchandise held for resale are recorded at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis.

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# TLC The Land Conservancy of British Columbia

## Notes to the Consolidated Financial Statements

April 30, 2010

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

#### (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%

Conservation lands and covenants included in capital assets under the Restricted Fund are either purchased or donated. Covenants are legal agreements entered into by the Society under which a landowner voluntarily restricts or limits the type and amount of development that may take place on his or her land to conserve its natural features. Once registered on title, that agreement runs with the title and binds all future owners. Its value is measured as the difference between the fair value of the property before and after the covenant is registered.

The Society also owns historic collections with a cost of \$38,356 (2009: \$38,356). No amortization is being provided for on such assets.

During the year, the society sold land acquired in the 2009 fiscal year for \$2,133,307 at fair value to the Capital Region District for \$504,192 of cash, with the balance reflected in the statement of operations as a transfer to other agencies.

#### (g) Contributed assets

Contributed capital assets are recognized at their fair value, which is supported by independent appraisal. During the year, the Society recognized contributed land of \$2,221,520 (2009: \$3,391,000) and contributed covenants of \$3,788,896 (2009: \$0).

#### (h) Endowment contributions

The Society receives endowment contributions which are specified for transfer for holding purposes to the Victoria Foundation, the Vancouver Foundation or the Community Foundation of the South Okanagan (the "foundations"). 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 foundations and the Society is entitled to receive an annual distribution from income earned on them between 2% and 4.5%. As at April 30, 2010, the funds held by the foundations had a fair market value of approximately \$698,000 (2009: \$597,000).

In addition, during the year the Society set up an endowment fund for the Teck-Fort Shepherd Conservation Fund. The funds, as directed by the donor are to be held as an endowment, and the income from its investment is to be used for the direct management, and for preservation activities and projects on the Fort Shepherd lands. (Note 13).

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# TLC The Land Conservancy of British Columbia

## Notes to the Consolidated Financial Statements

April 30, 2010

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

#### (i) Financial instruments

The Society's financial instruments consist of cash and cash equivalents, receivables, deposits on land, investments, a line of credit, payables and accruals, due to (from) other funds, and long term debt. Unless otherwise noted, it is management's opinion that the Society is not exposed to significant interest rate, credit or currency risks arising from these financial instruments.

The Society has classified cash and cash equivalents as held for trading. These instruments are initially recognized at cost and subsequently recognized at their fair value, which approximates cost due to their short-term to maturity.

The Society has classified receivables and deposits on land as loans and receivables. These assets are initially recognized at fair value. Fair value is approximated by the instruments' initial cost in a transaction between unrelated parties. Receivables are subsequently measured at their amortized cost using the effective interest method. Gains and losses arising from changes in fair value are recognized in the statement of operations upon de-recognition or impairment.

The Society has classified its investments (as described in Note 5) in charitable remainder trusts, and cooperatives as available for sale. These financial instruments are initially recognized at cost and subsequently are measured at cost as there is no available quoted market price in an active market. Gains and losses arising from changes in fair value are recognized in the statement of changes in fund balances upon de-recognition or impairment.

The Society has classified payables and accruals and long-term debt as other financial liabilities. These liabilities are initially recognized at their fair value. Fair value is approximated by the instruments' initial cost of a transaction between unrelated parties. Other financial liabilities are subsequently measured at their amortized cost using the effective interest method. Gains and losses arising from changes in fair value are recognized in the statement of operations upon de-recognition or impairment.

The Society has chosen the option for a not-for profit organization to apply Section 3861 – Financial Instruments – Disclosure and Presentation, in place of Sections 3861 and 3862.

#### (j) Long-lived assets

The Society regularly reviews the carrying value of long-lived assets and continually makes estimates regarding future cash flows and other factors to determine the fair value of the respective assets. If these estimates or their related assumptions change in the future, the Society may be required to record impairment charges for these assets.

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# TLC The Land Conservancy of British Columbia

## Notes to the Consolidated Financial Statements

April 30, 2010

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

#### (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. Current changes in accounting policies

#### Current changes

Amendments to the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 4400 Financial Statement Presentation by Not-for-Profit Organizations modify the requirements with respect to various elements of financial statement presentation. These amendments include:

- reporting certain revenue items in the statement of revenues and expenses at their gross amount;
- Section 1540 cash flow statements becomes applicable to not-for-profit organizations;
- amortizing capital assets reported as assets on the balance sheet, regardless of the size of the organization;
- when a not-for-profit organization classifies its expenses by function and allocates some of its fundraising and general support costs to another function, disclosing the policy adopted for expenses and amounts allocated from each of these two functions to other functions;
- the elimination of the requirement to treat net assets invested in capital assets as a separate component of net assets.

The adoption of these changes in presentation standards has had no effect on these financial statements

Section 4460 Disclosure of Related Party Transactions by Not-for-Profit Organizations has been amended to align the definition of related parties to CICA 3840 Related party Transactions. Related parties exist when one party has the ability to exercise, directly or indirectly, control, joint control or significant influence over the other. Two or more related parties are related when they are subject to common control, joint control or significant influence. Two not-for-profit organizations are related parties if one has an economic interest in the other. Related parties also include management and immediate family members. The adoption of this standard has had no effect on these financial statements.

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# TLC The Land Conservancy of British Columbia

## Notes to the Consolidated Financial Statements

April 30, 2010

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### 3. Current changes in accounting policies (continued)

Section 4470 Disclosure of Allocated Expenses by Not-for-Profit Organizations establishes disclosure standards for not-for-profit organizations that classifies its expenses by function and allocates its expenses to a number of functions to which the expenses relate.

In January 2009, the Emerging Issues Committee ("EIC") issued Abstract No. 173 Credit Risk and the Fair Value of Financial Assets and Financial Liabilities (EIC-173). EIC-173 requires an entity to take into account its own credit risk and that of the relevant counterparty when determining the fair value of financial assets and financial liabilities, including derivative instruments, for presentation and disclosure purposes. EIC-173 is applicable to the Society's annual financial statements for its fiscal year ending June 30, 2010. The adoption of the EIC did not result in a material impact to the valuation of the Society's financial assets and financial liabilities.

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<b>4 Deposits on land</b>	<b><u>2010</u></b>	<b><u>2009</u></b>
(a) Deposit on the purchase of property at 5560 Munns Road, Highlands in the Victoria area of British Columbia	\$ 5,000	\$ -
(b) Deposits on the purchase of a conservation covenant on a property located on Gabriola Island, British Columbia known as Gabriola Commons. Purchase was to complete by December 2008 but has yet to be finalized. Ownership of the property is to be transferred to Gabriola Commons Foundation. It is anticipated that a new agreement to purchase the covenant will be signed at that time	46,570	39,923
(c) Deposit on the purchase of a property in the Saanich Peninsula, Deposit refunded on June 15, 2009	-	10,000
(d) Deposit on the purchase of a property in the Victoria area of British Columbia known as Madrona Farm. Purchase completed by June 15, 2010	<u>209,000</u>	<u>34,000</u>
	<b><u>\$ 260,570</u></b>	<b><u>\$ 83,923</u></b>

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# TLC The Land Conservancy of British Columbia

## Notes to the Consolidated Financial Statements

April 30, 2010

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<b>5. Investments</b>	<b><u>2010</u></b>	<b><u>2009</u></b>
Investment in Keating Community Farm Co-operative		
Membership units	\$ 5,502	\$ 30,002
Note receivable (Note 9)	-	176,600
Investment in Horse Lake Community Farm Co-operative	5,000	5,000
Charitable Remainder Trust investments	<u>124,000</u>	<u>124,000</u>
	<u>\$ 134,502</u>	<u>\$ 335,602</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.

During the year, the Society wrote down its investment in Keating Community Farm Co-operative to reflect the estimated realizable value of its investment. The write-down to the investment in membership units and note receivable has been applied as a reduction in the deferred revenue as indicated in Note 9. The Society is in the process of renegotiating its agreement with the Co-operative.

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<b>6. Related party transactions</b>	<b><u>2010</u></b>	<b><u>2009</u></b>
Due to the executive director of the Society:		
Included in accounts payable	\$ 64,807	\$ 80,336
Loans payable	<u>66,799</u>	<u>66,799</u>
	<u>\$ 131,606</u>	<u>\$ 147,135</u>
Paid to directors of the Society for professional services rendered	\$ -	\$ 2,400
Donations received from related parties	\$ 14,491	\$ 17,820

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# TLC The Land Conservancy of British Columbia

## Notes to the Consolidated Financial Statements

April 30, 2010

7. Capital assets	2010			2009
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
<b>Restricted Fund</b>				
Conservation lands	\$ 29,995,652	\$ -	\$ 29,995,652	\$ 29,907,439
Conservation covenants	12,528,847	-	12,528,847	8,739,951
Buildings	1,549,651	287,453	1,262,198	1,328,629
Furniture and equipment	252,675	149,093	103,582	121,963
Historic collections	42,641	-	42,641	38,356
	<u>44,369,466</u>	<u>436,546</u>	<u>43,932,920</u>	<u>40,136,338</u>
<b>General Fund</b>				
Furniture and equipment	178,192	100,955	77,237	85,123
Computer equipment	65,877	57,626	8,251	8,729
Vehicle	216,446	110,832	105,614	123,446
	<u>460,515</u>	<u>269,413</u>	<u>191,102</u>	<u>217,298</u>
	<u>\$ 44,829,981</u>	<u>\$ 705,959</u>	<u>\$ 44,124,022</u>	<u>\$ 40,353,636</u>

8. Long term debt	2010	2009
(a) Loan payable is unsecured, bears no interest and is repayable with monthly payments of principal only. Interest due in November, 2008 was unpaid as at April 30, 2009 (paid in July 2009). A payment agreement is in place	\$ 230,000	\$ 350,000
(b) Non-interest bearing note is unsecured and is due on demand	50,000	50,000
(c) Mortgage related to Wildwood property is secured by real property, bears interest at 5.5% per annum and is repayable in monthly payments of \$61, principal and interest. Due December 2014	9,937	-
(d) 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. Due April 2012	57,023	60,287
(e) 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. Due April 2012	57,023	60,287



# TLC The Land Conservancy of British Columbia

## Notes to the Consolidated Financial Statements

April 30, 2010

<b>8. Long term debt</b> (continued)	<b><u>2010</u></b>	<b><u>2009</u></b>
(f) Mortgage payable to Coast Capital Savings Credit Union for Ayum Creek project is secured by real property, bears interest at prime plus 2.0% per annum and is repayable in blended monthly payments of \$534, principal and interest. Due November 2012	\$ 64,623	\$ 68,246
(g) 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. Due November 2012	139,858	147,664
(h) Mortgage payable is secured by Wildwood property, bears interest at 6.0% per annum and is repayable in blended monthly payments of \$1,151, principal and interest. Due April 2013	87,797	96,132
(i) Mortgage payable is secured by Wildwood property, bears interest at 8.0% per annum and is repayable in annual payments of interest only. Repaid during the year	-	70,000
(j) Mortgage payable related to the Eagle Bluff Project is secured by real property, bears interest at 4.0% per annum and is repayable with monthly interest payments only. Due November 2034	101,757	104,173
(k) Mortgage payable due to Thwaytes Landing Preservation Corp. relating to Thwaytes Landing project, is secured by a first charge on real property, bears interest at 6.0% per annum and is repayable in monthly payments of \$2,222, principal plus interest. Due September 2013	222,765	249,434
(l) Mortgage related to Wildwood property is secured by real property, bears interest at 5.5% per annum and is repayable in monthly payments of \$183, principal and interest. Due December 2014	29,810	-
(m) Mortgages payable secured by Squamish Corridor property, each bears interest at 6.0% per annum and is repayable with monthly payments of interest only. Due September 2011	300,000	300,000
(n) 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 2012	58,717	60,106

# TLC The Land Conservancy of British Columbia

## Notes to the Consolidated Financial Statements

April 30, 2010

<b>8. Long term debt</b> (continued)	<u><b>2010</b></u>	<u><b>2009</b></u>
(o) Promissory note payable to the District of Saanich is unsecured, bears no interest and is repayable in equal annual payments of \$54,770 in September each year until September 2011	<b>\$ 109,540</b>	\$ 164,310
(p) Mortgage payable, related to the Sooke Potholes project, is secured by real property, bears interest at 5.0% per annum with monthly interest payments of \$156. Due March 2012. Repaid during the year	-	37,500
(q) Mortgages payable to Coast Capital Savings Credit Union related to the Ayum Creek property, is secured by real property, bears interest at prime plus 2.0% per annum and is repayable in blended monthly payments of \$361. Due November 2012	<b>43,672</b>	46,110
(r) 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 \$495, principal and interest. Due December 2014	<b>58,177</b>	59,552
(s) Mortgage payable to HSBC Bank Canada related to Squamish Corridor property, is secured by real property, bears interest at prime plus 1% per annum, and is repayable in blended monthly payments of \$5,750, principal and interest. Due on demand	<b>326,494</b>	383,863
(t) Loan payable is unsecured, bears interest at 6.0% per annum (calculated and compounding monthly) and is repayable on demand. Unpaid interest in the current year has been added to the debt outstanding	<b>49,112</b>	46,259
(u) Unsecured loan bears interest at 4.0% per annum. Due January 2012	<b>27,799</b>	27,799
(v) Various unsecured loans payable bearing interest at 4.0% per annum and having no principal payments until the due dates between October 2011 to October 2012. Two loans of \$10,000 each were repaid during the year	<b>49,000</b>	69,000
(w) Mortgage related to the Wildwood project, is secured by real property and bears interest at 6.0% per annum with monthly payments of \$840, principal and interest. Due April 2013	<b>64,086</b>	70,169

# TLC The Land Conservancy of British Columbia

## Notes to the Consolidated Financial Statements

April 30, 2010

<b>8. Long term debt</b> (continued)	<b><u>2010</u></b>	<b><u>2009</u></b>
(x) Mortgage related to the Wildwood project, is secured by real property, bears interest at 6.0% per annum with blended monthly payments of \$840, principal and interest. Due April 2013	<b>\$ 15,928</b>	<b>\$ 24,776</b>
(y) 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. Due September 2013	<b>25,500</b>	<b>31,500</b>
(z) Promissory note in favour of the Community Futures Development Corporation of Boundary Area bears interest at 6.25% per annum and is repayable in blended monthly payments of \$1,000, principal and interest. Due March 2012	<b>30,044</b>	<b>39,739</b>
(aa) 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 (5.25% as at April 30, 2010) and is repayable with blended monthly payments of \$500, principal and interest. Due April 2011	<b>43,619</b>	<b>47,375</b>
(bb) Unsecured loan bears no interest and is repayable with monthly payments of principal only, after the loan mentioned under (b) has been repaid. Interest due in September, 2008 was unpaid as at April 30, 2009 (repaid in July 2009). Due on demand	<b>250,000</b>	<b>250,000</b>
(cc) Mortgage payable, secured by Keating Farm Estate property, bears interest at 6.0% per annum and is repayable with monthly principal payments of \$2,585 plus interest. Due August 2012	<b>244,527</b>	<b>275,547</b>
(dd) Mortgage payable, secured by Abkhazi Garden property, bears interest at prime plus 2.0% per annum and is repayable with blended monthly payments of \$10,037, principal and interest. Due February 2012	<b>1,052,411</b>	<b>1,125,772</b>
(ee) 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, extra repayment of \$50,215 during the year. Due March 2012	<b>42,818</b>	<b>96,127</b>

# TLC The Land Conservancy of British Columbia

## Notes to the Consolidated Financial Statements

April 30, 2010

<b>8. Long term debt</b> (continued)	<b><u>2010</u></b>	<b><u>2009</u></b>
(ff) 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. Due May 2012	<b>\$ 101,543</b>	\$ 103,945
(gg) 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. Due May 2012	<b>34,806</b>	38,257
(hh) Various unsecured loans payable, bearing interest from 7.0% 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 October 2011 to February 2014. Two loans with a total value of \$15,000 were repaid during the year and \$25,000 was forgiven on a loan	<b>460,000</b>	500,000
(ii) Unsecured loan payable, bears interest at 5.5% per annum and is repayable with payments of interest quarterly. Due October 2010	<b>20,000</b>	20,000
(jj) Mortgage related to Wildwood property is secured by real property, bears interest at 5.5% per annum and is repayable in monthly payments of \$183, principal and interest. Due December 2014	<b>29,810</b>	-
(kk) Loan payable related to financing of a motor vehicle, secured by the motor vehicle, non-interest bearing with monthly payments of \$573. Repaid during the year	-	1,718
(ll) Loan payable related to financing of a motor vehicle, secured by the motor vehicle, non-interest bearing with monthly payments of \$423. Due March 2012	<b>9,737</b>	14,817
(mm) Loan payable related to financing of a motor vehicle, secured by the motor vehicle, non-interest bearing with monthly payments of \$427. Due May 2012	<b>10,678</b>	15,803
(nn) Loan payable related to financing of a motor vehicle, secured by the motor vehicle, non-interest bearing with monthly payments of \$531. Due March 2013	<b>18,588</b>	24,961

# TLC The Land Conservancy of British Columbia

## Notes to the Consolidated Financial Statements

April 30, 2010

<b>8. Long term debt</b> (continued)	<u><b>2010</b></u>	<u><b>2009</b></u>
(oo) Various unsecured loans payable, bearing interest from 2.8% to 7.0% per annum with interest payable on maturity. No principal payments are due until the loan maturity dates which occur over November 2010 to February 2012; an amount of \$25,000 was repaid on a loan	<b>\$ 174,985</b>	\$ 197,416
(pp) Unsecured loan payable, non-interest bearing, repaid during the year	-	20,821
(qq) Unsecured loan payable, bears interest at 7.0% per annum and is repayable with interest payable annually on the anniversary date of the loan. Due May 2010	<b>300,000</b>	300,000
(rr) Mortgage payable, secured by the Kinghorn property, bears interest at 6.0% per annum and is repayable with interest on maturity. Due August 2009	-	500,000
(ss) Unsecured loan payable, bears interest at 5.25% per annum and is repayable with payments of interest annually. Due June 2011	<b>27,000</b>	27,000
(tt) 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 December 2011 to December 2013	<b>60,000</b>	60,000
(uu) Unsecured loan payable, bears interest at 4.0% per annum and is repaid during the year	-	10,766
(vv) Loans payable related to financing of motor vehicles, secured by the motor vehicles, non-interest bearing with combined monthly payments of \$1,389. Due June 2013 to July 2013	<u><b>53,301</b></u>	<u>69,973</u>
	<b>5,142,485</b>	6,317,204
Less: current portion	<u><b>1,911,827</b></u>	<u>2,958,074</u>
	<b>\$ 3,230,658</b>	<b>\$ 3,359,130</b>

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# TLC The Land Conservancy of British Columbia

## Notes to the Consolidated Financial Statements

April 30, 2010

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### 8. Long term debt (continued)

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

2011	\$ 1,911,827
2012	2,169,224
2013	500,955
2014	348,230
2015	110,492
Thereafter	<u>101,757</u>
	\$ <u>5,142,485</u>

Section 3855 states that a financial liability is recognized at fair value, except for certain related party transactions. The fair value of a loan with a non-market rate of interest is not equal to the cash consideration received. It can be estimated as the present value of all future cash payments discounted using the prevailing market rate of interest for a similar instrument with a similar credit rating. Except for specified loans from certain related parties, any difference between the fair value of a loan and the cash consideration is recognized immediately in net income.

The fair value of all loans does not differ significantly from their carrying value.

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### 9. Deferred revenue

On August 29, 2006, the Society entered into a lease whereby the Society leased the majority of the land associated with the Keating Farm property to the Keating Community Farm Cooperative (the "Cooperative") for a period of 99 years for \$500,000. The lease transferred, by way of a Profit a Prendre, interest in the land to the Cooperative so that the Cooperative had the right to farm, cultivate, harvest and to graze, keep and raise domestic animals on the land.

On closing \$230,000 was initially paid and the balance due by December 31, 2006. As at April 30, 2008, \$185,000 of the original lease value was unpaid to the Society and was included in receivables with an offset to deferred revenue. As at April 30, 2009, changes were agreed to with the Cooperative which resulted in the extension of the Profit a Prendre to 199 years. The remaining amount owing of \$176,600 from the original transaction was converted to a note receivable in December, 2008 bearing interest at 7.5%, with a due date of January 1, 2011. The note is repayable from the sale of additional units in the cooperative.

The revenue from the lease is being taken into income on a straight-line amortization basis over the 199 year term of the lease.

During the year, it was determined that collection of the note receivable and recovery of the full amount of its investment in membership units was doubtful, and as such the note receivable has been written down to Nil and the investment in membership units to their estimated realizable value. The write-down has been applied against the balance of deferred revenue.

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# TLC The Land Conservancy of British Columbia

## Notes to the Consolidated Financial Statements

April 30, 2010

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### 10. Agreements for sale

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 mortgage against the property (see note 8 k.).

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.

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### 11. 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 received future lease revenue, designed to coincide with payment requirements of the mortgage on the same property. The final payment was received in June 2003.

#### (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, 2018, the Society received \$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 aggregate, for the maintenance of the sites.

#### (c) Second Lake

On February 1, 2005, concurrent with the purchase of the Second Lake property, the Society entered into leases to lease the two residences on the property to the former owners for consideration of \$200 per annum, for ten years, with three options to renew the lease for five years each term at fair market rent.

#### (d) Blueways and Greenways Foundation

In 1999, the Society received a donation of units of the Northern Star Hedge Fund valued at \$95,000 to be held in trust for 10 years for the Blueways and Greenways Foundation. Concurrent with this donation, an agreement was signed that holds the Society harmless for any changes in value of the investments. As the units are held in trust for the Foundation, and the Society has no beneficial ownership, the investments are not presented on the financial statements. The Hedge Fund is a closed end investment trust whose units cannot be redeemed until 2019. The ultimate value of the units is uncertain.

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# TLC The Land Conservancy of British Columbia

## Notes to the Consolidated Financial Statements

April 30, 2010

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### 11. Commitments and contingencies (continued)

#### (e) Skaha Bluffs

In 2008, the Society purchased on behalf of the Province of British Columbia (the "Province") and the Nature Conservancy of Canada (NCC) a property known as the Skaha Bluffs in the Okanagan region of British Columbia. Immediately upon acquisition, the interests were transferred to the Province (23.8% interest) and to NCC (43.8% interest), leaving TLC with a 32.4% interest. While the property is jointly owned at this time, the intention over the next year is for TLC to transfer their interest to the Province. In return TLC and NCC will hold a conservation covenant to represent their proportionate interest.

#### (f) South Salt Spring Island

During the year, the Society acquired a 50% interest in a covenant registered against certain properties on South Salt Spring Island along with the Salt Spring Island Conservancy in exchange for the issue of an ecological gift of \$876,000 for its share of the covenant. As joint holders of the covenant, they are responsible for maintaining and enforcing the covenant, and to recover a rent charge from the owner of the property in the event of a violation of the covenant.

#### (g) Nanaimo

During the year, the Society acquired a 50% interest in a covenant registered against certain properties in the Nanaimo area, along with the Nanaimo & Area Land Trust, in exchange for the issue of an ecological gift of \$2,905,000 for its share of the covenant. As joint holders of the covenant, they are responsible for enforcing the covenant and to recover a rent charge from the owner of the property in the event of a violation of the covenant.

#### (h) Operating leases

The Society leases office space, land, automobiles and computer equipment under operating leases. The following are the minimum annual lease payments under the leases:

2011	\$	150,198
2012		152,580
2013		154,280
2014		143,056
2015		132,364
Thereafter		<u>229,203</u>
	\$	<u>961,681</u>

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# TLC The Land Conservancy of British Columbia

## Notes to the Consolidated Financial Statements

April 30, 2010

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### 12. Supplementary cash flow information

	General <u>Fund</u>	Restricted <u>Fund</u>	<b>Total <u>2010</u></b>	<b>Total <u>2009</u></b>
Changes in non-cash working capital				
(Decrease) increase in:				
Receivables	\$ 8,156	\$ 99,861	<b>\$ 108,017</b>	\$ (55,605)
Prepays	(17,105)	1,856	<b>(15,249)</b>	(5,617)
Inventory	(23,114)	-	<b>(23,114)</b>	(2,445)
Deferred rental revenue	(93,986)	-	<b>(93,986)</b>	8,086
Deferred membership revenue	5,280	-	<b>5,280</b>	(5,698)
Refundable deposits	-	(133,395)	<b>(133,395)</b>	133,395
Payables and accruals	<u>(103,629)</u>	<u>(2,535)</u>	<b><u>(106,164)</u></b>	<u>(267,582)</u>
	<b>\$ (224,398)</b>	<b>\$ (34,213)</b>	<b>\$ (258,611)</b>	<b>\$ (195,466)</b>

Interest on long-term debt paid on a cash basis was \$ 333,243 (2009: \$345,305).

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### 13. Capital management

The capital structure of the Society consists of net assets invested in capital assets, mostly consisting of conservation lands and covenants held for the charitable purposes of the Society, externally restricted funds, unrestricted net assets and an endowment fund. The primary objective of the Society's capital management is to hold the conservation lands to preserve and protect the nature and wildlife within it.

Net assets invested in capital assets represent the amount of net assets that are not available for other purposes because they have been invested.

Externally restricted funds represent amounts not yet expended for the restricted purposes for which they were intended when received.

Unrestricted net assets are funds available to fund future operations.

Endowment funds are to be held and invested, the income from which is to be used for the purposes as set out by the donor.

For the year ended April 30, 2010, the Society has not fully complied with all the requirements for one endowment fund in the amount of \$400,000, as set out by the donor. The proceeds of this fund are subject to a 10 year direction, the income from which is to enable conservation work to continue on the Fort Shepherd lands. The donated funds have not been invested in an endowment fund as requested. The income that would have been generated by this endowment during this period have been expended on the project, as per the requirements of the donor. Management has indicated that it is taking steps to re-establish the endowment fund, and the donor has been informed.

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# TLC The Land Conservancy of British Columbia

## Notes to the Consolidated Financial Statements

April 30, 2010

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### 14. Subsequent events

On June 15 2010 the Society purchased the Madrona Farm property in Saanich for \$2,500,000 plus closing costs, for cash of \$1,478,397 and vendor mortgages of \$1,025,000. The property is leased to tenant farmers on a 29.5 year lease. The vendors agreed to provide gifts to the Society of approximately \$775,000 to reduce the ultimate cash flow to the Society for the acquisition to \$1,725,000.

Mortgages were registered to facilitate donations after closing, and to bridge funding until subdivision and transfer of 3.5 acres of land to the Municipality of Saanich for a municipal park. As of September 2010 the balance on the mortgages is \$400,000, interest only.

In addition, subsequent to year-end, one of the debtors reflected under Note 8 (qq) agreed to forgive \$200,000 of his loan in exchange for a donation receipt.

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### 15. Prior period adjustment of interfund transfers

During the year, the Society adjusted the comparative figures for prior period misstatements in the Consolidated Statement of Changes in Fund Balances, Consolidated Statement of Financial Position, and Consolidated Statement of Changes in Investment of Capital Assets to adjust the net investment in capital assets of the general and restricted funds to their correct balances, and the resulting changes to fund balances, inter-fund transfers and due to (from) other funds. The effects of the adjustment on the 2009 comparative figures are outlined below:

	2009		
	General Fund	Restricted Fund	Total
<b>Consolidated Statement of Changes in Fund Balances</b>			
Fund balances, beginning of year,			
As previously reported	\$ (2,928,054)	\$ 31,516,196	\$ 28,588,142
Adjustment to prior years	<u>399,224</u>	<u>(399,224)</u>	-
As restated	(2,528,830)	31,116,972	<b>28,588,142</b>
Excess of revenues over expenses	1,359,586	3,720,596	<b>5,080,182</b>
Interfund transfers (restated)	<u>(1,618,904)</u>	<u>1,618,904</u>	-
Fund balances, end of year (restated)	<u>\$ (2,788,148)</u>	<u>\$ 36,456,472</u>	<u>\$ 33,668,324</u>

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# TLC The Land Conservancy of British Columbia

## Notes to the Consolidated Financial Statements

April 30, 2010

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### 15. Prior period adjustment of interfund transfers (continued)

	2009		<u>Total</u>
	<u>General Fund</u>	<u>Restricted Fund</u>	
<b>Consolidated Statement of Financial Position</b>			
Due to (from) other Fund,			
As previously reported	\$ (685,155)	\$ 685,155	\$ -
Adjustment to prior years	<u>1,181,546</u>	<u>(1,181,546)</u>	<u>-</u>
Due to (from) other Fund, as restated	<u>\$ 496,391</u>	<u>\$ (496,391)</u>	<u>\$ -</u>

### Consolidated Statement of Changes in Funds Invested in Capital Assets

Investment in capital assets, beginning of year			
As previously reported	\$ 171,513	\$ 30,364,771	\$ 30,536,284
Adjustment to prior years	<u>(80,750)</u>	<u>(48,876)</u>	<u>(129,626)</u>
As restated	90,763	30,315,895	30,406,658
Addition to capital assets	107,863	6,936,107	7,043,970
Disposition of capital assets	-	(2,209,821)	(2,209,821)
Amortization of capital assets	(53,331)	(73,828)	(127,159)
Interfund transfers	(8,747)	8,747	-
Reduction in debt relating to purchase of capital assets, net (as restated)	<u>(46,523)</u>	<u>735,188</u>	<u>688,665</u>
Investment in capital assets, end of year (as restated)	<u>\$ 90,025</u>	<u>\$ 35,712,288</u>	<u>\$ 35,802,313</u>

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### 16. Comparative figures

Certain 2009 comparative figures have been reclassified to conform to the presentation adopted in the current year.

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