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TLC’s Board wishes to thank the following sponsors for their generous contributions this year:

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Pacific Ecoscapes
sustainable garden, sustainably life



Front and back cover photos of TLC’s Clayoquot Island Covenant.
Photo credits Jade Vovers.
Left: DeMamiel Creek Covenant. Photo credit Torrey Archer.

Board of Directors

Jennifer Bagelman is a UVic lecturer and SSHRC Post-Doctoral Fellow at the University of British Columbia. Previously, she was a Lecturer in the Department of Geography at Durham University, UK. Her research is situated at the intersections between geography and politics. Jennifer joined the Board in September 2015.

Gerry Gaydos works as a promoter of electric vehicles (EVs) and solar energy technologies to help us move beyond fossil fuels. He is acutely aware of the need to preserve the natural systems of the planet that support our tenancy here. Gerry loves to visit landscapes where the majesty of nature reminds him of the temporary nature of our tenure on this planet. As a new member of the Board of Directors, Gerry is eager to participate in the next chapter of the organization.

Mel Lehan is a long time community activist with interests in preserving and protecting special places. Some of his successful projects include; saving a heritage church from being torn down and then turning it into a thriving community space; preserving the character neighbourhood of West Kitsilano; and helping to declare part of the Point Grey Foreshore as a natural foreshore in perpetuity.

Fred Newhouse is a consulting forester with extensive experience in silviculture, woodlot management, licensing, and organization. With a degree in Natural Resources Management he is active on the Board of the Sustainable Environmental Network Society. Fred is interested in furthering TLC in the Interior of B.C.

Bill Pearce is a retired lawyer, called to the bar in Ontario in 1968. He practiced with a Bay Street law firm and became Director of Civil Litigation with the Attorney General of B.C. A sole practitioner from 2001 - 2009, he was appointed QC and Solicitor General for Bermuda. His practice focused on commercial and construction litigation.

Briony Penn has been a consultant to government agencies, land trusts and non profits in areas of ecosystem inventory, communications, and environmental education for over 25 years. With a PhD in Geography on land conservation, she is an Adjunct Professor at UVic. She is a writer, journalist, artist, and has recently completed a book *The Real Thing: the Natural History of Ian McTaggart Cowan*, one of the early pioneers of land trusts in British Columbia.

Frances Pugh is a fruit and vegetable grower on the Saanich Peninsula. Fran brings to the Board a myriad of skills from her self employment and considerable non-profit knowledge from her role as Past Chair of the Saanich Inlet Protection Society.

Lori Roter is a researcher and Policy and Internal Controls specialist with over two decades of experience developing environmental land, water and public health policy. She has a Masters Degree in Resources Management (Geography), Project and Risk Management Certifications, and accounting/governance training from CGA BC. Lori wishes to focus on TLC's responsible governance, financial monitoring and transparency.

Frances Sloan Sainas is a retired Educator and former manager in the hospitality industry. Frances has been an active Member, TLC Lower Mainland Committee representative, and financial supporter since 2001. She joined the Board in September 2015.

Tom Watson, an investment advisor and father, has knowledge of finance, and has served as Chair and Secretary for the Gorge View Housing Society. He is a volunteer coach with Doncaster, Reynolds and Lakehill Soccer. Tom has a lifetime belief in working to support the environment. He wants to help TLC onto a stronger financial footing.



From left to right, John Shields and the Board of Directors, Frances Pugh, Mel Lehan, Briony Penn, Tom Watson, and Lori Roter. Photo credit Dianna Stenberg.

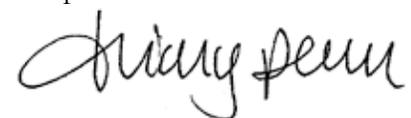
Report from the Board of Directors

This fiscal year the Board's overriding focus was bringing the Plan of Arrangement (POA) to the creditors and court for acceptance and implementation. Our goal for the POA was to protect our properties and pay our creditors to the best of our ability. This Plan is what you present to the court in the process defined under the *Companies' Creditors Arrangement Act* (CCAA) which allows a company to avoid insolvency through restructuring. Under a typical POA, company assets are assessed for "their highest and best use" then sold to the highest bidder to pay off the creditors while still enabling the company to hold on to other assets and continue operating. The federal CCAA was never intended for charities and so the legislation was untested as to whether it would take priority over trusts under common law or the provincial *Charitable Purposes Preservation Act* – a provincial legislation set up to protect charitable donors' interests.

The Board decided that rather than testing which law would take priority in more expensive law suits, our duty was to come up with a plan that would only sell our assets with protective conservation covenants, sell to equivalent conservation organizations or government agencies at less than market value. In other words, we would sell more for less. In hindsight this seemingly obvious principle was not easily implemented. CCAA was not written to allow assets to be sold at lower than their highest value and it was only through an informal advance ruling from our creditors on January 7th that the courts allowed this POA to be brought forward formally to the court on February 23, 2015. The creditor meeting and vote was on March 30. We had an almost unanimous acceptance and on April 2nd the court made legal history by approving the Plan as well as the first transfer of 29% undivided interest in Maltby Lake to Woody and

Carmel Thompson with a contractual requirement to establish a protected area designation. The CCAA process did not require the acceptance of the POA by the membership but Justice Fitzpatrick wisely encouraged us to get support for elements of the POA that would be contrary to our bylaws such as revoking the inalienability clause for sales even to charities. We also had objections lodged in affidavits to which Justice Fitzpatrick ruled that each property would be dealt with individually as they came up for sale. Sooke Potholes was transferred to the Capital Regional District and a 50% undivided interest in a Chemainus River property was transferred to the Cowichan Valley Regional District in April without a hitch. As you know, the process has continued — not without its bumps — to where we are today.

One day, this case might be written up by an enthusiastic law historian with a good sense of humour to provide a comprehensive account of what transpired. In the meantime, I want to commend the Board, all the staff, the membership and creditors for their integrity, persistence and stamina in seeing this very challenging process through this year. Nothing quite prepares you for a process that nobody wanted in the first place. I also want to pay tribute to our legal counsel and Justice Fitzpatrick for her fair and incisive ruling of a very complex situation.



Briony Penn
Board Chair



Board Chair Briony Penn (right) celebrating the burning of mortgages with Cathy Armstrong, TLC Members and volunteers. Photo credit Dennis Robinson.

Report from the Acting Director of Operations

On September 12 our world was badly shaken when John Shields and his wife were involved in a serious car accident. I was appointed Acting Director of Operations and continue in that role. I am happy to report that John and his wife are back at home, and the recovery and healing continues. Thank you for the notes of encouragement, we have been passing them along to John.

In the summer of 2014 TLC staff spent time reviewing our past, assessing our present, and visioning our future. TLC had previously downsized from 50 staff to 8. Our property portfolio was likely to be substantially reduced via the CCAA process. One underlining principle guided our discussions, and that was sustainability. How do we serve our members and deliver our mandate within a fiscal framework that ensures the long term viability of the organization?

We began by looking at our constitution, and you will find this at the beginning of TLC's bylaws. It's heartening to know that our core values and mandate still held true: "the protection, preservation, restoration, beneficial use and management of ...plants, animals and natural communities that represent diversity of life on Earth by protecting the lands and waters they need to survive, and secondarily... areas of scientific, historical, cultural, scenic and compatible outdoor recreational value."

Using this as a touchstone, and considering the success stories of

over 250 properties where TLC has been active in their protection, it is apparent that the mechanism of registering a covenant on title is an effective way to ensure conservation. Add to this the fact that TLC had a long history of intervening quickly and a membership that repeatedly rose to the challenge.

In our day to day operations we are sustained by the feedback we receive as we work through the restructuring process.

From the outset, our goal has been to be open and transparent and we continue to honour this priority. We have shared our successes and our failures every step of the way. We are deeply grateful to the individuals who have encouraged us with notes, emails and phone calls. Thank you.

Over the past two years we have worked closely with partner organizations in the best interests of conservation. We would like to thank The Nature Conservancy of Canada and The Nature Trust of BC, as well as the Cowichan Valley Regional District and the Capital Regional District. Furthermore, we would like to thank the Sooke First Nation for ensuring the ongoing operation of the Sooke Potholes campground.

We also wish to thank Joe Martin, a Tla-o-qui-aht carver, who we were able to partner with to utilize the Boathouse at Monks Point in Tofino as a venue for his traditional carving.

During the 2014/15 fiscal we were also able to replace the frontage

fencing at Abkhazi Garden and paint the house and outbuildings with the help of volunteers and a contribution from General Paint of all supplies.

Volunteers are the bedrock of TLC. At Abkhazi Garden our volunteers keep the garden in immaculate condition and welcome visitors. At Ross Bay Villa, a dedicated team lovingly restores the building, maintains the grounds and conducts tours. During the summer, UVic students gain valuable hands on experience as they assist us with our covenant monitoring program. At our office, Jody and Jim arrive every week to help us with administrative tasks and library maintenance. We appreciate our volunteers!

Throughout the CCAA process, TLC has remained diligent in ensuring that we fulfill our obligations to monitor the 230 covenants in our portfolio. We have been successful in part due to the partnerships with like minded organizations throughout the province.

I am proud of our dedicated staff. They continue to work tirelessly to ensure that we meet our performance objectives and emerge stronger. We are an efficient and effective team. Heartfelt gratitude and respect to Connie Pedersen, Dianna Stenberg, Andrew MacKinnon, Sherry Beauvais, Mara Hawkins and Torrey Archer.



Cathy Armstrong
Acting Director of Operations

Financial Statements

TLC's fiscal year runs from May 1 to April 30. Following the close of the 2015 fiscal year, our Financial Statements were prepared by the independent professional accounting firm of Grant Thornton LLP.

The following are an excerpt from this years Financial Statements, showing our financial activity for the 2014/2015 fiscal year ending April 30, 2015. The full version of the Financial Statements may be downloaded from our website at conservancy.bc.ca or may be requested from our office at 250-479-8053.

Consolidated Statement of Operations		Consolidated Statement of Financial Position	
For year ended April 30, 2015		For year ended April 30, 2015	
	Total		Total
Revenue		Assets	
Donations and bequests	1,128,307	Current	
Grants	16,387	Cash and cash equivalents	446,886
Memberships	250,065	Cash held in trust	27,329
Other income	8,235	Receivables	84,349
Donations in kind	52,763	Prepays	<u>39,219</u>
Rental Income	83,785		597,783
Debt forgiveness	<u>10,069</u>		
	<u>1,549,611</u>	Investments	164,000
		Conservation covenants	16,413,399
		Capital Assets	<u>27,177,654</u>
Expenses			<u>44,352,836</u>
Amortization	61,464	Liabilities	
Consulting	6,097	Current	
Interest and bank charges	155,154	Payables and accruals	3,213,776
Interest on long-term debt	287,229	Due to (from) other Fund	0
Insurance	69,246	Senior secured loans	1,844,894
Office Supplies, printing, postage	18,027	Long-term debt	<u>4,092,390</u>
Professional fees	147,161		<u>9,151,060</u>
Other expenses	53,679	Fund Balances	
Property taxes	60,487	Invested in covenants	16,413,399
Rent and utilities	35,337	Invested in capital assets	24,825,158
Repairs and maintenance	15,029	Externally restricted	(1,139,238)
Salaries, wages and benefits	404,801	Unrestricted	<u>(4,897,543)</u>
Telephone	40,921		<u>35,201,776</u>
Transfers to other agencies	2,414,041		
Travel	5,365		
Restructuring fees	<u>1,060,065</u>		
	<u>4,834,103</u>		
Deficiency of revenue over expenses	<u>(3,284,492)</u>		<u>44,352,836</u>

Treasurer's Report

Shortly following the 2014 Annual General Meeting, TLC's Board began their search to fill the vacancy left by the former Treasurer. I thought it would be a wonderful opportunity to afford my financial expertise to an organization whose mission centered on my passion for environmental protection and preservation – an area I have worked in for over twenty years. I was appointed to the Board in December 2015, just prior to the last quarter of TLC's fiscal year.

My role as Treasurer is to maintain financial oversight on TLC's finances. The Board of Directors are responsible for overseeing management and ensuring the financial statements represent reality and are presented to membership. Management is responsible for selecting the organization's accounting policies, and preparing, presenting and acting on financial information.

Audited financial statements provide an independent professional accounting opinion on whether financial figures are fairly presented. They are a key measure of the Board's accountability to members. TLC has fulfilled its commitment to issue audited financial statements for the 2014/15 fiscal which runs from May 1, 2014 to April 30, 2015.

It is important to note that these financial statements represent a period which largely occurred prior to the April 2, 2015 Supreme Court of B.C. and creditor approval of the Plan of Arrangement (PoA) under the *Companies' Creditor Protection Act* (CCAA).

You will note \$1.060 Million in restructuring fees under our general expenses. This figure reflects the cost of the Monitor, Monitor's counsel, our legal counsel, and legal fees relating to our lenders. The restructuring fees are paid from the proceeds of sales, and hence do not have an impact on daily operating costs. The other notable expense is \$2.414 Million in transfers to other agencies. This does not represent an actual financial expenditure, rather it represents the loss on the disposition of properties transferred for an amount less than what was recorded in our books. Subsequent to the audit reporting period, TLC repaid approximately \$3.742M of debt, including \$1.507M for legal and other fees pertaining to the CCAA process.

Since the end of the 2014/2015 fiscal year, TLC has implemented a budget and a monthly budget monitoring process to provide greater clarity on finances. This process serves to alert the Board to significant variances, prompting adjustments to spending and/or fundraising efforts.

We have explicitly segregated accounts in our monitoring process, focusing only on the ongoing operations of the organization; debt repayment will continue to come from the funds that TLC can realize from the transfer and sale of properties and will not otherwise impact operations provided we successfully completed the PoA and CCAA process.

I am happy to report that although we have not reached our revenue target,

we are reporting a positive operating income for the first six months of the current fiscal year (May 1, 2015 to April 30, 2016). It is anticipated that further fiscal policies will be developed in the coming year to strengthen Board oversight.

It is my intention over the remainder of the current fiscal year and the following to work with the Board and staff to augment governance and financial policies to further safeguard TLC's assets and ensure prudent spending practices.

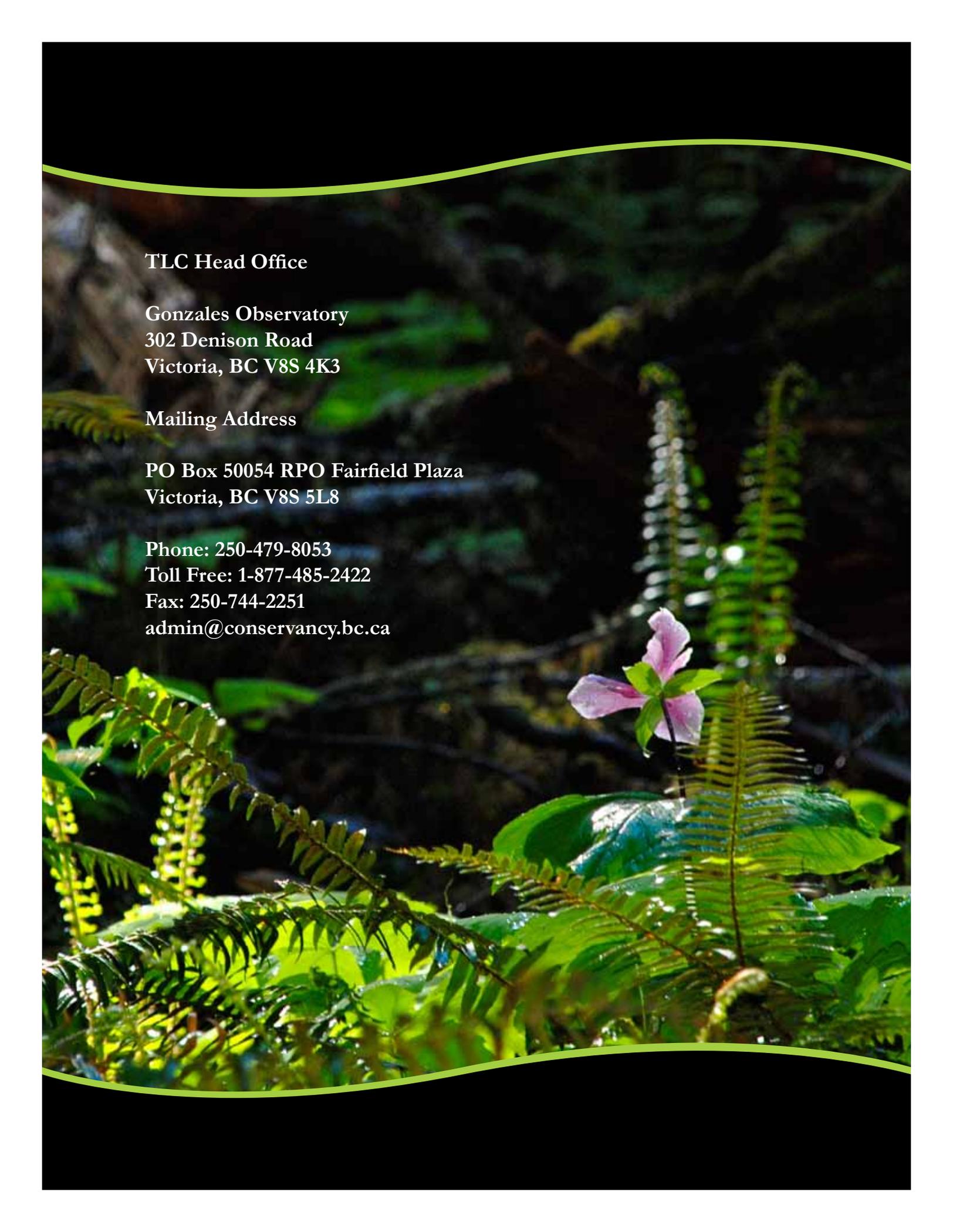
As Board Treasurer, my focus on transparency includes responsible governance, timely financial monitoring and oversight on planning and budgeting, which will allow TLC to adapt to changing requirements and provide a platform for renewal and sustainability.

TLC has traversed some very rough roads over the past few years, requiring us to rebuild credibility and trust. We are stewards of not only the lands we protect but of the endowments and donations we are entrusted with.

On behalf of the Board I would like to thank Grant Thornton LLP for undertaking the 2014/15 audit and our accounting staff for facilitating a seamless process. Full audited financial statements including notes to the financials are available to all on TLC's website or from our office.



Lori Roter
Board Treasurer



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