

**TLC THE LAND CONSERVANCY OF BRITISH COLUMBIA**

**CONSOLIDATED FINANCIAL STATEMENTS**

**APRIL 30, 2005**

# MacPherson Flanagan Fletcher & Pickstone

CHARTERED ACCOUNTANTS

## AUDITORS' REPORT

To the Directors of TLC The Land Conservancy of British Columbia

We have audited the consolidated balance sheet of TLC The Land Conservancy of British Columbia as at April 30, 2005 and the consolidated statements of operations and changes in fund balances, changes in funds invested in capital assets and cash flows for the year then ended. These financial statements are the responsibility of the Society's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of the revenues referred to in the preceding paragraph, these consolidated financial statements present fairly, in all material respects, the financial position of the Society as at April 30, 2005 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.

*MacPherson Flanagan Fletcher & Pickstone*

Victoria, British Columbia  
September 15, 2005

CHARTERED ACCOUNTANTS

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

**CONSOLIDATED BALANCE SHEET AS AT APRIL 30, 2005**

	<b>General Fund</b>	<b>Restricted Fund</b>	<b>2005 Total</b>	<b>2004 Total</b>
<b>ASSETS</b>				
Current				
Cash and short-term deposits	\$ -	\$ -	\$ -	\$ 95,875
Accounts receivable	42,435	35,785	78,220	51,308
Prepaid expenses	7,469	4,706	12,175	12,695
Inventory	42,831	-	42,831	30,519
Deposits on land (Note 2)	-	37,000	37,000	240,000
	92,735	77,491	170,226	430,397
Investments (Note 3)	-	-	-	15,000
Fixed assets (Note 4)	70,898	17,361,915	17,432,813	15,365,923
	<b>\$ 163,633</b>	<b>\$ 17,439,406</b>	<b>\$ 17,603,039</b>	<b>\$ 15,811,320</b>
<b>LIABILITIES</b>				
Current				
Line of credit	\$ 269,659	\$ -	\$ 269,659	\$ -
Accounts payable and accrued liabilities	574,142	-	574,142	441,491
Due to (from) other Fund	(2,478,164)	2,478,164	-	-
Current portion of long-term debt (Note 5)	838,000	1,616,000	2,454,000	2,200,000
	(796,363)	4,094,164	3,297,801	2,641,491
Long-term debt (Note 5)	59,743	2,491,264	2,551,007	2,832,561
	(736,620)	6,585,428	5,848,808	5,474,052
<b>FUND BALANCES</b>				
Invested in fixed assets	70,898	13,291,651	13,362,549	11,460,628
Externally restricted	-	(2,437,673)	(2,437,673)	(1,687,198)
Unrestricted	829,355	-	829,355	563,838
	900,253	10,853,978	11,754,231	10,337,268
	<b>\$ 163,633</b>	<b>\$ 17,439,406</b>	<b>\$ 17,603,039</b>	<b>\$ 15,811,320</b>

See accompanying notes to consolidated financial statements

TLC THE LAND CONSERVANCY OF BRITISH COLUMBIA

CONSOLIDATED STATEMENT OF OPERATIONS  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED APRIL 30, 2005

	General Fund	Restricted Fund	2005 Total	2004 Total
Revenue				
Donations	\$ 773,569	\$ 3,522,254	\$ 4,295,823	\$ 1,789,542
Grants	151,626	858,427	1,010,053	1,085,540
Donations in kind	34,071	684,709	718,780	2,200,514
Other income	177,548	131,312	308,860	164,902
Memberships	133,089	-	133,089	98,212
Rental income	5,020	13,299	18,319	59,398
	<u>1,274,923</u>	<u>5,210,001</u>	<u>6,484,924</u>	<u>5,398,108</u>
Expenses				
Advertising and promotion	78,651	46,907	125,558	121,337
Amortization	18,323	27,744	46,067	36,609
Conferences and seminars	9,667	5,782	15,449	11,197
Consulting	52,007	121,877	173,884	162,116
Fund raising	59,835	25,136	84,971	51,381
Interest and bank charges	30,972	810	31,782	15,794
Interest on long-term debt	36,414	332,457	368,871	260,892
Insurance	23,458	33,454	56,912	45,437
Licences, dues and fees	713	610	1,323	934
Memberships	2,761	600	3,361	1,010
Office supplies, printing, postage	103,462	11,939	115,401	99,358
Professional fees	24,955	68,462	93,417	66,547
Property appraisals and commissions	-	64,392	64,392	29,550
Property taxes	-	60,045	60,045	31,703
Rent and utilities	16,819	20,965	37,784	52,095
Repairs and maintenance	37,772	149,445	187,217	157,650
Salaries, wages and benefits	290,264	1,234,193	1,524,457	1,219,037
Telephone	40,028	16,774	56,802	42,446
Transfers to other agencies	96,000	1,825,657	1,921,657	1,293,462
Travel	60,664	37,947	98,611	101,872
	<u>982,765</u>	<u>4,085,196</u>	<u>5,067,961</u>	<u>3,800,427</u>
Excess of revenue over expenses for the year	292,158	1,124,805	1,416,963	1,597,681
Fund balances, beginning of year	608,095	9,729,173	10,337,268	8,739,587
Fund balances, end of year	<u>\$ 900,253</u>	<u>\$ 10,853,978</u>	<u>\$ 11,754,231</u>	<u>\$ 10,337,268</u>

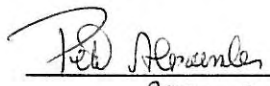
See accompanying notes to consolidated financial statements

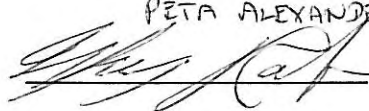
TLC THE LAND CONSERVANCY OF BRITISH COLUMBIA

CONSOLIDATED STATEMENT OF CHANGES IN FUNDS  
 INVESTED IN FIXED ASSETS  
 FOR THE YEAR ENDED APRIL 30, 2005

	General Fund	Restricted Fund	2005 Total	2004 Total
Investment in fixed assets, beginning of year	\$ 44,257	\$ 11,416,371	\$ 11,460,628	\$ 9,061,548
Additions to fixed assets	44,964	6,523,368	6,568,332	3,480,389
Disposition of fixed assets	-	(4,455,375)	(4,455,375)	(1,913,512)
Amortization of fixed assets	(18,323)	(27,744)	(46,067)	(36,609)
Reduction in deposits on land	-	(203,000)	(203,000)	(40,000)
Reduction of debt relating to purchase of assets, net	-	38,031	38,031	908,812
Investment in fixed assets, end of year	<u>\$ 70,898</u>	<u>\$ 13,291,651</u>	<u>\$ 13,362,549</u>	<u>\$ 11,460,628</u>

Approved on behalf of the Board:

  
 \_\_\_\_\_ Director  
 PETA ALEXANDER

  
 \_\_\_\_\_ Director

See accompanying notes to consolidated financial statements

TLC THE LAND CONSERVANCY OF BRITISH COLUMBIA

CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED APRIL 30, 2005

	General Fund	Restricted Fund	2005 Total	2004 Total
Cash flows from (used in) operating activities				
Excess of revenue over expenses for the year	\$ 292,158	\$ 1,124,805	\$ 1,416,963	\$ 1,597,681
Adjustments for:				
Amortization	18,323	27,744	46,067	36,609
Non-cash donations and transfers, net	-	920,402	920,402	(1,287,047)
	<u>310,481</u>	<u>2,072,951</u>	<u>2,383,432</u>	<u>347,243</u>
Changes in non-cash operating working capital (Note 8)	90,238	3,709	93,947	161,508
	<u>400,719</u>	<u>2,076,660</u>	<u>2,477,379</u>	<u>508,751</u>
Cash flows from (used in) financing activities				
Loan principal repayments, net Due to (from) other Fund	10,477 (731,767)	(38,031) 731,767	(27,554) -	(237,772) -
	<u>(721,290)</u>	<u>693,736</u>	<u>(27,554)</u>	<u>(237,772)</u>
Cash flows from (used in) investing activities				
Purchase of land and fixed assets	(44,963)	(5,859,368)	(5,904,331)	(1,090,355)
Proceeds from sale of fixed assets	-	2,870,972	2,870,972	810,525
Reduction of deposits on land	-	203,000	203,000	40,000
Investments	-	15,000	15,000	5,000
	<u>(44,963)</u>	<u>(2,770,396)</u>	<u>(2,815,359)</u>	<u>(234,830)</u>
Change in cash during the year	(365,534)	-	(365,534)	36,149
Cash and cash equivalents, beginning of year	95,875	-	95,875	59,726
Cash and cash equivalents, end of year	<u>\$ (269,659)</u>	<u>\$ -</u>	<u>\$ (269,659)</u>	<u>\$ 95,875</u>

See accompanying notes to consolidated financial statements

TLC THE LAND CONSERVANCY OF BRITISH COLUMBIA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
APRIL 30, 2005

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**Purpose**

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

1. Summary of significant accounting policies

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

(a) Basis of accounting

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

(b) Fund accounting and revenue recognition

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

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

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

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

(c) Investments

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

(d) Inventory

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

**TLC THE LAND CONSERVANCY OF BRITISH COLUMBIA**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 APRIL 30, 2005

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1. Summary of significant accounting policies, continued

(e) Fixed assets and amortization

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

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

(f) Contributed assets

Contributed capital assets are recognized at their fair value, which is supported by independent appraisal. During the year, the Society recognized contributed covenants of \$664,000. During 2004, the Society recognized contributed land of \$1,839,204 and contributed covenants of \$247,000.

(g) Measurement uncertainty

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

2. Deposits on land

	2005	2004
(a) Deposit on purchase of covenants on property in Tofino, British Columbia. Under this agreement Tofino Community Investments Ltd. is to purchase the property and the Society has secured its option to protect the property in perpetuity.	\$ -	\$ 130,000
(b) Deposit on the purchase of land in the Okanagan area of British Columbia with a total purchase price of \$183,000.	-	50,000
(c) Deposit on purchase of second mortgage over property referred to as Sooke Potholes, Sooke, British Columbia.	-	50,000
Sub-total	<u>\$ -</u>	<u>230,000</u>



TLC THE LAND CONSERVANCY OF BRITISH COLUMBIA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 APRIL 30, 2005

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2. Deposits on land, continued

	2005	2004
Balance forward	\$ -	\$ 230,000
(d) Deposit on purchase of property located near Clearwater, British Columbia, immediately adjacent to the Wells Grey Provincial Park.	-	10,000
(e) Deposit on the purchase of land in the Horsefly area of British Columbia for a purchase price of \$55,000. Purchase to complete by October 14, 2005.	2,000	-
(f) Deposit on the purchase of land known as the Keating Farm Estate in Duncan, British Columbia for a purchase price of \$680,000. Purchase completed June 30, 2005.	10,000	-
(g) Deposit on the purchase of land known as the Squamish Corridor in Squamish, British Columbia for a purchase price of \$850,000. Purchase to complete September 30, 2005.	25,000	-
	<u>\$ 37,000</u>	<u>\$ 240,000</u>

3. Investments

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

Term deposit bearing interest of 5.35% per annum. Matured August 2004.

\$ -	\$ 15,000
<u>          </u>	<u>          </u>

During the year, the donations that were required to be held for a ten year term were transferred to an endowment fund with the Victoria Foundation.

TLC THE LAND CONSERVANCY OF BRITISH COLUMBIA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
APRIL 30, 2005

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4. Fixed assets

	Cost	Accumulated Amortization	2005 Net Carrying Amount	2004 Net Carrying Amount
<b>Restricted Fund</b>				
Land	\$ 15,486,092	\$ -	\$ 15,486,092	\$ 14,089,977
Covenants	1,488,841	-	1,488,841	823,271
Buildings	440,495	91,805	348,690	369,005
Office furniture and equipment	84,183	45,891	38,292	39,413
	<u>17,499,611</u>	<u>137,696</u>	<u>17,361,915</u>	<u>15,321,666</u>
<b>General Fund</b>				
Office furniture and equipment	80,164	33,369	46,795	25,541
Computer equipment	48,371	34,961	13,410	12,184
Vehicle	17,840	7,147	10,693	6,532
	<u>146,375</u>	<u>75,477</u>	<u>70,898</u>	<u>44,257</u>
	<u><b>\$ 17,645,986</b></u>	<u><b>\$ 213,173</b></u>	<u><b>\$ 17,432,813</b></u>	<u><b>\$ 15,365,923</b></u>

5. Long-term debt

	2005	2004
(a) Non-interest bearing note is unsecured and is due November 2005.	\$ 370,000	\$ 350,000
(b) Non-interest bearing note is unsecured and has no set terms of repayment.	50,000	50,000
(c) Promissory note, unsecured, bears interest at prime plus 0.5% per annum and repayable in blended monthly payments of \$1,000.	55,976	65,119
Sub-total	<u>\$ 475,976</u>	<u>\$ 465,119</u>

TLC THE LAND CONSERVANCY OF BRITISH COLUMBIA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
APRIL 30, 2005

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5. Long-term debt

	2005	2004
Balance forward	\$ 475,976	\$ 465,119
(d) Mortgage secured by a first charge on real property, bears interest at 7.0% per annum and is repayable in monthly payments of \$538.52, principal and interest. Due April 2006.	68,315	70,000
(e) Mortgage secured by a first charge on real property, bears interest at 7.0% per annum and is repayable in monthly payments of \$538.52, principal and interest. Due April 2006.	68,315	70,000
(f) Mortgage payable to Coast Capital Savings Credit Union for Ayum Creek project is secured by real property, bears interest at 4.55% per annum and is repayable with monthly principal payments of \$515. Due April 2006.	78,757	81,419
(g) Mortgage payable to the Abkhazi Garden Preservation Corp., is secured by real property, bears interest at 6.0% per annum and is repayable in quarterly payments of \$8,125, plus interest. Due February 2010.	487,500	585,000
(h) Mortgage payable to Coast Capital Savings Credit Union is secured by real property, bears interest at 5.4% per annum and is repayable in blended monthly payments of \$1,162, principal plus interest. Due November 1, 2005.	169,036	173,686
(i) Mortgage payable is secured by Wildwood property, bears interest at 6.0% per annum and is repayable in monthly payments of \$1,151, plus interest. Due April 2008.	124,953	131,154
(j) Mortgage payable is secured by Wildwood property, bears interest at 8.0% per annum and is repayable in annual payments of interest only. Due December 20, 2009.	70,000	70,000
Sub-total	<u>\$ 1,542,852</u>	<u>\$ 1,646,378</u>

TLC THE LAND CONSERVANCY OF BRITISH COLUMBIA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 APRIL 30, 2005

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5. Long-term debt, continued

	2005	2004
Balance forward	\$ 1,542,852	\$ 1,646,378
(k) Loan related to the Eagle Bluff Project is secured by real property, bears interest at 6.0% per annum and is repayable with monthly principal payments of \$855. Due November 2009.	118,408	-
(l) Mortgage secured by a first charge on real property, bears interest at 7.75% per annum and is repayable in monthly payments of \$2,222.40, principal plus interest. Due September 2008.	355,552	382,221
(m) Non-interest bearing loan.	-	121,000
(n) Mortgage payable is secured by Abkhazi property #2, bears no interest and is repayable in quarterly payments of \$800. Due February 9, 2006.	67,200	70,400
(o) Promissory note payable to the District of Saanich is unsecured and bears no interest. Due April 2008.	363,850	388,850
(p) Loan related to the Sooke Potholes project is secured by real property, bears interest at 6.0% per annum and is repayable with principal payments of \$175,000 in 2006 and \$100,000 in 2007 and 2008. Due March 2008.	400,000	-
(q) Mortgage payable secured by Sooke Hills property.	-	600,000
(r) Mortgage payable to Coast Capital Savings Credit Union is secured by real property, bears interest at 5.4% per annum and is repayable in blended monthly payments of \$363. Due November 2005.	52,788	54,143
(s) Mortgage payable with a charge on the Abkhazi property, bears interest at 7.5% per annum and is repayable in blended monthly payments of \$512. Due May 2006.	65,586	66,837
(t) Mortgage payable to Island Savings Credit Union.	-	400,000
Sub-total	<u>\$ 2,966,236</u>	<u>\$ 3,729,829</u>

TLC THE LAND CONSERVANCY OF BRITISH COLUMBIA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
APRIL 30, 2005

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5. Long-term debt, continued

	2005	2004
Balance forward	\$ 2,966,236	\$ 3,729,829
(u) Loan due to HSBC related to the Sooke Potholes project is secured by real property, bears interest at 5.5% per annum and principal is repayable at approximately \$500,000 per annum. Due August 2008.	1,100,000	-
(v) Loan payable is unsecured, bears interest at 6.0% per annum and is repayable in blended monthly payments of \$500. Due on demand.	37,945	32,467
(w) Loan payable to the Executive Director bears no interest and has no set terms of repayment.	27,796	27,796
(x) Loan payable.	-	18,000
(y) Loan payable to the Province of British Columbia.	-	300,000
(z) Various unsecured loans payable bearing interest at 4.0% per annum and having no principal payments until the due dates of approximately November 2005.	124,000	124,000
(aa) Mortgage related to the Wildwood project is secured by real property and bears interest at 6.0% per annum with principal payments of \$10,080 per year. Due April 20, 2008.	91,206	95,733
(bb) Mortgage related to the Wildwood project is secured by real property and bears interest at 6.0% per annum with principal payments of \$10,080 per year. Due April 20, 2008.	91,206	95,736
(cc) Loan payable is secured by real property, bears interest at 4.0% per annum and is repayable in monthly payments of \$500, principal and interest. Due September 2006.	55,500	61,500
Sub-total	<u>\$ 4,493,889</u>	<u>\$ 4,485,061</u>

TLC THE LAND CONSERVANCY OF BRITISH COLUMBIA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
APRIL 30, 2005

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5. Long-term debt, continued

	2005	2004
Balance forward	\$ 4,493,889	\$ 4,485,061
(dd) Promissory note in favour of the Community Futures Development Corporation of Boundry Area is unsecured and bears interest at 8.0% per annum. Due March 2006.	57,119	60,000
(ee) Loan payable bears interest at 5.5% per annum and is repayable with payments of interest only in January, April and July of the year. Due October 2005.	20,000	20,000
(ff) Non-interest bearing unsecured loan is repayable with payments of principal of \$12,500 in March and September of the year. Due September 2007.	62,500	87,500
(gg) Promissory note in favour of the Grand Forks District Savings Credit Union is secured by a first charge on real property and bears interest at prime plus 1.0% per annum. Due March 2006.	50,000	50,000
(hh) Unsecured loan payable bears interest at 3.0% per annum and is repayable with payments of interest only in September. Due on demand.	250,000	250,000
(ii) Non-interest bearing loan.	-	40,000
(jj) Non-interest bearing loan.	-	25,000
(kk) Promissory note.	-	15,000
(ll) Loan payable to the HSBC is secured by a third party guarantee, bears interest at the prime rate plus 1.25% per annum and is due monthly. Due June 2005.	68,000	-
(mm) Loan related to the Ross Bay Villa project is non-interest bearing. Due May 2005.	3,499	-
	<u>5,005,007</u>	<u>5,032,561</u>
Less: Current portion	<u>2,454,000</u>	<u>2,200,000</u>
	<u><u>\$ 2,551,007</u></u>	<u><u>\$ 2,832,561</u></u>

TLC THE LAND CONSERVANCY OF BRITISH COLUMBIA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
APRIL 30, 2005

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5. Long-term debt, continued

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

2006	\$ 2,454,000
2007	666,000
2008	824,000
2009	696,000
2010	279,000
thereafter	86,007
	<u>\$ 5,005,007</u>

6. Agreements for sale

(a) Thwaytes Landing

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

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

(b) Sooke Potholes

On March 9, 2005, the Society entered into an agreement with the Capital Regional District ("CRD") for the sale of land referred to as the Sooke Potholes. The total sale price for the land, which consist of five parcels, is \$2,405,000. On March 24, 2005, one parcel, Lot 166, was transferred for consideration of \$1,300,000.

The remainder of the property will be transferred as follows:

Payment Date	Amount	Land Parcel	Transfer Date
January 15, 2006	\$ 200,000	181 *	August 1, 2006
August 1, 2006	\$ 300,000	181 *	August 1, 2006
August 1, 2007	\$ 300,000	182/203	August 1, 2007
August 1, 2008	\$ 305,000	200 #	August 1, 2008

\* Except lodge, storage and cabin site

# Except campground

Included in this agreement, the Society granted the CRD a right of first refusal to purchase the remaining lands for consideration of \$1.

7. Commitments and contingencies

(a) Nanaimo River property lease

During the year ended April 30, 2001, the Society entered into a ninety-nine year lease with the Regional District of Nanaimo for the Nanaimo River property. Under the terms of this lease, the Society 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, 2008, 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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8. Supplemental cash flow information

Changes in non-cash working capital

	General Fund	Restricted Fund	2005 Total	2004 Total
Decrease (increase) in accounts receivable	\$ (29,792)	\$ 2,880	\$ (26,912)	\$ 18,321
Decrease (increase) in prepaid expenses	(309)	829	520	4,989
Decrease (increase) in inventory	(12,312)	-	(12,312)	30,196
Increase in accounts payable and accrued liabilities	132,651	-	132,651	108,002
	<u>\$ 90,238</u>	<u>\$ 3,709</u>	<u>\$ 93,947</u>	<u>\$ 161,508</u>

Interest on long-term debt paid on a cash basis was \$382,641 (2004 - \$277,374).