



Consolidated Financial Statements

TLC The Land Conservancy of British Columbia

April 30, 2017

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Independent Auditors' Report

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To the directors of TLC The Land Conservancy of British Columbia

We have audited the accompanying consolidated financial statements of TLC The Land Conservancy of British Columbia, which comprise the consolidated statement of financial position as at April 30, 2017, and the consolidated statements of operations, changes in fund balances, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Basis for qualified opinion

In common with many non-profit organizations, the Society derives revenue from donations and fundraising activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Society. Therefore, we were not able to determine whether any adjustments might be necessary to donation revenue, deficiency of revenue over expenses, and cash flows from operations for the year ended April 30, 2017 and 2016, assets as at April 30, 2017 and 2016, and changes in fund balances and cash flows as at May 1, 2017 and 2016 and April 30, 2017 and 2016.

Qualified opinion

In our opinion, except for the possible effects of the matter described in the *Basis for qualified opinion* paragraph, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Society as at April 30, 2017, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Victoria, Canada
August 26, 2017



Chartered Professional Accountants

TLC The Land Conservancy of British Columbia

Consolidated Statement of Operations

Year ended April 30

2017

2016

	General Fund	Restricted Fund	Endowment Fund	Total	Total
Revenue					
Donations	\$ 693,504	\$ 117,606	\$ -	\$ 811,110	\$ 825,542
Grants	10,847	1,200	-	12,047	14,558
Memberships	167,172	1,397	-	168,569	198,184
Other income	6,516	-	-	6,516	8,776
Donations in-kind	147,827	100	-	147,927	756,378
Rental income	1,500	30,195	-	31,695	66,078
	<u>1,027,366</u>	<u>150,498</u>	<u>-</u>	<u>1,177,864</u>	<u>1,869,516</u>
Expenses					
Advertising	8,616	-	-	8,616	5,728
Amortization	12,316	4,570	-	16,886	20,467
Consulting	7,607	-	-	7,607	2,345
Fundraising	1,148	-	-	1,148	43
Interest and bank charges	13,145	-	-	13,145	64,134
Interest on long-term debt	-	42,652	-	42,652	163,893
Insurance	25,345	-	-	25,345	51,143
Licenses, dues, and fees	1,303	100	-	1,403	(2,240)
Office supplies, printing, postage	22,373	1,326	-	23,699	17,633
Other expenses	62,209	5,523	-	67,732	68,691
Professional fees	87,573	32,761	-	120,334	128,961
Property taxes	-	20,312	-	20,312	42,965
Rent and utilities	21,506	16,633	-	38,139	40,800
Repairs and maintenance	5,369	57,375	-	62,744	20,487
Salaries, wages and benefits	341,373	-	-	341,373	297,280
Telephone	13,494	474	-	13,968	18,958
Transfer to other agencies	5,000	105,259	-	110,259	1,214
Travel	4,209	1,200	-	5,409	4,874
CCAA related expenses	57,533	-	-	57,533	357,038
	<u>690,119</u>	<u>288,185</u>	<u>-</u>	<u>978,304</u>	<u>1,304,414</u>
Excess (deficiency) of revenue over expenses before other items	<u>337,247</u>	<u>(137,687)</u>	<u>-</u>	<u>199,560</u>	<u>565,102</u>
Debt extinguishment	2,307,985	-	-	2,307,985	1,139,102
Transfer of conservation lands (Note 8)	-	(443,182)	-	(443,182)	(13,084,362)
Excess (deficiency) of revenue over expenses	<u>\$ 2,645,232</u>	<u>\$ (580,869)</u>	<u>\$ -</u>	<u>\$ 2,064,363</u>	<u>\$ (11,380,158)</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

2017

2016

	General Fund	Restricted Fund	Endowment Fund	Total	Total
Fund balances, beginning of year	\$ (4,661,769)	\$ 28,525,748	\$ 10,000	\$ 23,873,979	\$ 35,254,137
Interfund transfer (Note 11)	2,416,924	(2,416,924)	-	-	-
Excess (deficiency) of revenue over expenses	<u>2,645,232</u>	<u>(580,869)</u>	<u>-</u>	<u>2,064,363</u>	<u>(11,380,158)</u>
Fund balances, end of year	\$ <u>400,387</u>	\$ <u>25,527,955</u>	\$ <u>10,000</u>	\$ <u>25,938,342</u>	\$ <u>23,873,979</u>

See accompanying notes to the consolidated financial statements.

TLC The Land Conservancy of British Columbia

Consolidated Statement of Financial Position

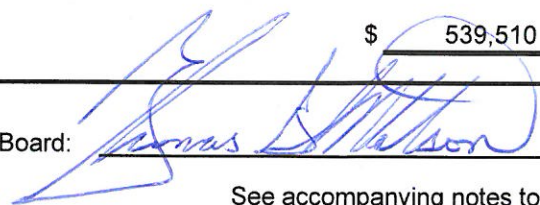
April 30

2017

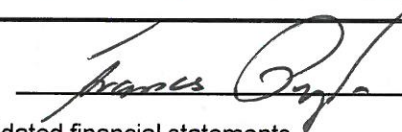
2016

	General Fund	Restricted Fund	Endowment Fund	Total	Total
Assets					
Current					
Cash and cash equivalents	\$ 339,096	\$ 184,757	\$ -	\$ 523,853	\$ 594,850
Cash held in trust	-	56,050	-	56,050	101,131
Receivables	36,437	-	-	36,437	13,106
Prepays	-	7,736	-	7,736	10,333
	<u>375,533</u>	<u>248,543</u>	<u>-</u>	<u>624,076</u>	<u>719,420</u>
Investments (Note 3)	129,000	-	-	129,000	164,000
Conservation covenants (Note 2(f))	-	16,413,399	-	16,413,399	16,413,399
Capital assets (Note 4)	<u>34,977</u>	<u>8,996,442</u>	<u>-</u>	<u>9,031,419</u>	<u>11,475,356</u>
	<u>\$ 539,510</u>	<u>\$ 25,658,384</u>	<u>\$ -</u>	<u>\$ 26,197,894</u>	<u>\$ 28,772,175</u>
Liabilities					
Current					
Payables and accruals	\$ 129,123	\$ 5,495	\$ -	\$ 134,618	\$ 1,711,841
Deposits on land	-	-	-	-	40,000
Due to (from) other fund	10,000	-	(10,000)	-	-
Long-term debt (Note 5)	<u>-</u>	<u>124,934</u>	<u>-</u>	<u>124,934</u>	<u>3,146,355</u>
	<u>139,123</u>	<u>130,429</u>	<u>(10,000)</u>	<u>259,552</u>	<u>4,898,196</u>
Fund Balances					
Invested in conservation covenants	-	16,413,399	-	16,413,399	16,413,399
Invested in capital assets	34,977	8,873,749	-	8,908,726	11,815,026
Internally restricted (Note 11)	-	134,259	-	134,259	-
Externally restricted	-	106,548	10,000	116,548	344,412
Unrestricted	<u>365,410</u>	<u>-</u>	<u>-</u>	<u>365,410</u>	<u>(4,698,858)</u>
	<u>400,387</u>	<u>25,527,955</u>	<u>10,000</u>	<u>25,938,342</u>	<u>23,873,979</u>
	<u>\$ 539,510</u>	<u>\$ 25,658,384</u>	<u>\$ -</u>	<u>\$ 26,197,894</u>	<u>\$ 28,772,175</u>

On behalf of the Board:



Director



Director

See accompanying notes to the consolidated financial statements.

TLC The Land Conservancy of British Columbia

Consolidated Statement of Cash Flows

Year ended April 30

				2017	2016
	General Fund	Restricted Fund	Endowment Fund	Total	Total
Increase (decrease) in cash					
Operating activities					
Excess (deficiency) of revenue over expenses	\$ 2,645,232	\$ (580,869)	\$ -	\$ 2,064,363	\$ (11,380,158)
Items not involving cash					
Amortization of capital assets	12,316	4,570	-	16,886	20,467
Debt extinguishment	(2,307,985)	-	-	(2,307,985)	(1,139,102)
Donations in-kind	(147,827)	(100)	-	(147,927)	-
Transfer of non cash assets	-	443,182	-	443,182	13,084,362
	<u>201,736</u>	<u>(133,217)</u>	<u>-</u>	<u>68,519</u>	<u>585,569</u>
Changes in non-cash operating working capital (Note 8)	<u>(736,126)</u>	<u>(4,917)</u>	<u>-</u>	<u>(741,043)</u>	<u>(1,244,145)</u>
	<u>(534,390)</u>	<u>(138,134)</u>	<u>-</u>	<u>(672,524)</u>	<u>(658,576)</u>
Financing activities					
Senior secured loans repayment	-	-	-	-	(844,894)
Debt repayment	<u>(708,468)</u>	<u>(673,893)</u>	<u>-</u>	<u>(1,382,361)</u>	<u>(946,035)</u>
	<u>(708,468)</u>	<u>(673,893)</u>	<u>-</u>	<u>(1,382,361)</u>	<u>(1,790,929)</u>
Investing activities					
Purchase of capital assets	(10,112)	-	-	(10,112)	(50,424)
Proceeds on transfer of conservation lands	<u>-</u>	<u>1,994,000</u>	<u>-</u>	<u>1,994,000</u>	<u>2,647,893</u>
	<u>(10,112)</u>	<u>1,994,000</u>	<u>-</u>	<u>1,983,888</u>	<u>2,597,469</u>
Net change in due to (from) other funds	1,278,254	(1,278,254)	-	-	-
Net (decrease) increase in cash and cash equivalents	(1,252,970)	1,181,973	-	(70,997)	147,964
Cash and cash equivalents, beginning of year	<u>313,812</u>	<u>281,038</u>	<u>-</u>	<u>594,850</u>	<u>446,886</u>
Cash and cash equivalents, end of year	\$ <u>339,096</u>	\$ <u>184,757</u>	\$ <u>-</u>	\$ <u>523,853</u>	\$ <u>594,850</u>

See accompanying notes to the consolidated financial statements.

TLC The Land Conservancy of British Columbia

Notes to the Consolidated Financial Statements

April 30, 2017

1. Purpose of the Society and creditor protection status

(a) Purpose of the Society

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

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

(b) Companies' Creditors Arrangement Act status

On October 7, 2013, the Society sought creditor protection under the Companies' Creditors Arrangement Act (the "CCAA") and obtained a stay order (the "Initial Order") from the British Columbia Supreme Court (the "Court"). Wolridge Mahon Limited (the "Monitor") was appointed by the Court as monitor in the proceedings and is responsible for reviewing the Society's ongoing operations, liaising with creditors and other stakeholders and reporting to the Court. The Initial Order provided for a stay of proceedings against the Applicants and their property for an initial period ending November 4, 2013 which the Court extended to April 25, 2014 then to June 25, 2014 then to October 17, 2014 then to February 2, 2015 then to April 30, 2015. On July 29, 2016 the Court issued an Order extending the Society's self-imposed deadline in the Plan of July 31, 2016, for filing a revised Plan to October 31, 2016.

The Society developed a Plan of Compromise and Arrangement dated February 23, 2015 (the "Plan") which set out the terms and conditions for the settlement of the proven claims of affected creditors under the CCAA proceedings. On February 23, 2015, the Court issued a Meeting and Process Order, confirming that the Society was to convene a meeting of creditors to consider the Plan of Arrangement on March 30, 2015. On March 30, 2015 each of the creditor classes set out in the Plan, being the secured creditor class and the unsecured creditor class, voted in favour of acceptance of the Plan (as filed and as set out in the Meeting and Process Order) by the requisite majorities. After having received approval of the Plan from its creditors, the Society made its application to the Court on April 2, 2015, for a Sanction Order. The Supreme Court of British Columbia approved the Plan of Arrangement as agreed upon by the Society and its creditors with deadline of June 30, 2016, requiring a Revised Plan of Compromise and Arrangement ("Revised Plan") to be filed if deadline passes without the Plan being completed. A meeting of creditors was held on December 2, 2016, for the purpose of considering and voting on the Society's Revised Plan and the creditors voted in favour of the Revised Plan.

TLC The Land Conservancy of British Columbia

Notes to the Consolidated Financial Statements

April 30, 2017

1. Purpose of the Society and companies' creditor protection status (continued)

The Supreme Court of British Columbia sanctioned the Society's Revised Plan on Monday, January 16, 2017. Upon Court sanctioning creditors were granted a 30 day appeal window. On February 16, 2017, having passed the 30 day appeal deadline, the Society and its legal counsel issued payments to creditors as agreed upon in the Revised Plan.

On March 6, 2017, the Society successfully emerged from creditor protection having been issued its Certificate of Completion from the Supreme Court of British Columbia. Through its transactions under CCAA, the organization has paid \$7,306,534 to creditors and \$2,408,385 to its legal counsel, the Court-appointed Monitor and the Monitor's legal counsel. The Society received \$230,369 in donated legal fees and \$1,686,727 in creditor forgiveness.

With the latest payments to creditors issued, the Court has declared that the Society has fulfilled the obligations set out in the Revised Plan with creditors and is released and discharged from any and all indebtedness, obligations and liabilities.

2. Summary of significant accounting policies

(a) Principles of consolidation

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

(b) Fund accounting and revenue recognition

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

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

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

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.

TLC The Land Conservancy of British Columbia

Notes to the Consolidated Financial Statements

April 30, 2017

2. Summary of significant accounting policies (continued)

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

(c) Cash and cash equivalents

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

(d) Investments

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

(e) Capital assets and amortization

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

Buildings	5%
Furniture and equipment	5%, 20%, 30% and 50%
Computer equipment and software	30% and 50%
Vehicles	30%

The Society also owns historic collections with a cost of \$995 (2016: \$995). No amortization is being provided for on such assets.

(f) Conservation land and covenants

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

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

TLC The Land Conservancy of British Columbia

Notes to the Consolidated Financial Statements

April 30, 2017

2. Summary of significant accounting policies (continued)

The contributions are recorded as revenue and also as an asset in conservation lands and covenants. Properties transferred to others are recorded as a reduction of conservation land and covenants and net assets invested in conservation covenants.

(g) Contributed assets

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

(h) Endowment contributions

The Society receives endowment contributions which are specified for transfer for holding purposes to the Victoria Foundation. Receipts are shown as revenues of the General Fund and the corresponding transfer is shown in expenses under transfers to other agencies. These funds are held by the Foundation and the Society is entitled to receive an annual distribution from income earned on them between 2% and 4.5%. As at March 31, 2017, the funds held by the Victoria Foundation had a fair market value of approximately \$922,231. The Society also is the recipient of distributions from endowment funds held by the Vancouver foundation with a fair market value of \$167,977.

(i) Financial instruments

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

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Society determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Society expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

TLC The Land Conservancy of British Columbia

Notes to the Consolidated Financial Statements

April 30, 2017

2. Summary of significant accounting policies (continued)

(j) Long-lived assets

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

(k) Use of estimates

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

3. Investments, at cost	2017	2016
Investment in Horse Lake Community Farm Co-operative	\$ 5,000	\$ 5,000
Living Forest One Limited Partnership	-	35,000
Charitable Remainder Trust investments	124,000	124,000
	<u>\$ 129,000</u>	<u>\$ 164,000</u>

In the fiscal year, Living Forest One Limited Partnership's land related to its proposed development was foreclosed. As a result, the Society's \$35,000 investment was written off and recognized as a loss on the statement of operations in other expenses.

4. Capital assets			2017	2016
	Cost	Accumulated amortization	Net book value	Net book value
Restricted Fund				
Conservation lands	\$ 8,927,320	\$ -	\$ 8,927,320	\$ 11,288,298
Buildings	143,775	82,475	61,299	138,026
Furniture and equipment	50,241	45,592	4,649	8,657
Historic collections	995	-	995	995
Leasehold improvements	2,992	815	2,177	2,291
	<u>\$ 9,125,324</u>	<u>\$ 128,883</u>	<u>\$ 8,996,440</u>	<u>\$ 11,438,267</u>
General Fund				
Furniture and equipmer	\$ 118,911	\$ 106,072	\$ 12,838	\$ 16,120
Computer equipment	96,876	78,654	18,222	15,370
Vehicle	56,335	52,416	3,919	5,599
	<u>\$ 272,121</u>	<u>\$ 237,143</u>	<u>\$ 34,979</u>	<u>\$ 37,089</u>

TLC The Land Conservancy of British Columbia

Notes to the Consolidated Financial Statements

April 30, 2017

5. Debt

2017

2016

The information noted below pertains to the original terms and conditions of the loans. These conditions have changed due to the Society entering into a restructuring under CCAA. Interest accrues for secured creditors only. All debt is subject to the Revised Plan of Arrangement and Compromise.

(a) Mortgage payable is secured by Qualicum Bat House property, to be extinguished through foreclosure of property by 0793468 B.C. Ltd.	\$	124,934	\$	118,558
(b) Mortgages payable to Coast Capital Savings Credit Union related to the Qualicum Bathhouse property, is secured by real property, bears interest at prime plus 2.0% per annum and is repayable in blended monthly payments of \$361		-		41,727
(c) 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		-		129,745
(d) Mortgage payable, secured by Abkhazi Garden property, bears interest at 11.5% per annum and is repayable with blended monthly payments of \$12,654, principal and interest		-		508,967
(e) Various unsecured loans payable, bearing interest from 1.0% to 8.0% per annum with various payment terms		-		2,347,357
	\$	124,934	\$	3,146,355

6. Supplementary cash flow information

	<u>General</u>	<u>Restricted</u>	<u>2017</u>	<u>2016</u>
Changes in non-cash working capital				
Cash held in trust	\$ -	\$ 45,081	\$ 45,081	(73,802)
Receivables	(23,333)	-	(23,333)	\$ 71,243
Prepays	10,333	(7,736)	2,597	28,886
Payables and accruals	<u>(723,122)</u>	<u>(42,264)</u>	<u>(765,386)</u>	<u>(1,270,472)</u>
	\$ <u>(736,122)</u>	\$ <u>(4,919)</u>	\$ <u>(741,041)</u>	\$ <u>(1,244,145)</u>

TLC The Land Conservancy of British Columbia

Notes to the Consolidated Financial Statements

April 30, 2017

7. Commitments

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

2018	\$ <u>6,050</u>
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8. Transfer of conservation lands

During the year the Society, as part of the Plan of Arrangement and Compromise, transferred certain properties in exchange for cash and forgiveness of debt. Contributions from the transfer of properties included the following amounts:

Transfer of Lohbrunner Farm	\$ 300,000
Transfer of Kogawa House	633,985
Transfer of remaining interest in Maltby Lake	260,000
Transfer of Wildwood Ecoforest	<u>800,000</u>
	<u>\$ 1,993,985</u>

Proceeds received were used to repay claims for secured creditors and unsecured creditors. Secured creditors were repaid in the full with the exception of the Qualicum Bat House mortgage, which will be repaid through transfer of property. Unsecured creditors were repaid the first \$5000 of their claim and 22.5% of any remaining balance.

The difference between the net proceeds received of \$1,993,985 (2016: \$2,647,893) and the net book value of the transferred properties of \$2,437,167 (2016: \$15,733,469) has been recorded as a transfer of conservation lands of \$443,182 (\$13,086,576) in the statement of operations.

9. Financial Instruments

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

Credit Risk

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

Interest rate risk

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

TLC The Land Conservancy of British Columbia

Notes to the Consolidated Financial Statements

April 30, 2017

9. Financial Instruments (continued)

The Society is exposed to various risk through its financial instruments (continued)

Liquidity risk

Liquidity risk is the risk that the Society will encounter difficulty in meeting the obligations associated with its financial liabilities. The Society's financial liabilities are comprised of its accounts payable, accrued liabilities, and accrued restructuring liabilities.

10. Remuneration

On November 28, 2016 the British Columbia Societies Act came into force. Included in the new Act is a requirement to disclose the remuneration paid to all directors, the ten highest paid employees and all contractors who are paid at least \$75,000 annually.

During the year, the Society paid no remuneration to directors.

During the year, the Society paid no remuneration to employees or contractors in excess of \$75,000.

11. Internally restricted funds and interfund transfers

During the year, the Society internally restricted funds of \$90,000 for future staffing reserves and \$80,562 for future improvements to the Abkhazi Garden property. As of April 30, 2017, the balance of these two internally restricted amounts were \$90,000 and \$44,259 respectively. These internally restricted amounts were transferred from the general fund.

Also, during the year the Board of Directors transferred \$2,587,486 out of the restricted fund into the general fund. This transfer was allocated to the general fund to cover past deficits incurred by the general fund.

12. Contingency

During the year, as part of its Revised Plan, the Society made a promise to its creditors to distribute net proceeds from sale of Abkhazi Garden densities if the sale transaction occurs. The sale is contingent on the City of Victoria's approval of the real estate development project related to the transfer of densities.

As the sale is uncertain to date and the Supreme Court of Canada has relieved the Society of its debt obligations to the unsecured creditors under the CCAA proceedings, these claims have been extinguished in full and are no longer included in the financial statements.

In the event that the sale of Abkhazi densities take place, net proceeds from the sale of \$233,578 will be payable to creditors on a pro-rata basis.
