



Consolidated Financial Statements

TLC The Land Conservancy of British Columbia

April 30, 2019

Contents

	Page
Independent Auditors' Report	1-2
Consolidated Statements of Operations	3
Consolidated Statement of Changes in Fund Balances	4
Consolidated Statement of Financial Position	5
Consolidated Statement of Cash Flows	6
Notes to the Consolidated Financial Statements	7-13

Independent Auditors' Report

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To the directors of TLC The Land Conservancy of British Columbia

Qualified Opinion

We have audited the consolidated financial statements of TLC The Land Conservancy of British Columbia ("the Society"), which comprise the consolidated statement of financial position as at April 30, 2019, and the consolidated statements of operations, changes in fund balances and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the TLC The Land Conservancy of British Columbia as at April 30, 2019, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Society derives revenue from fundraising activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to amounts recorded in the records of the Society. Therefore, we were not able to determine whether any adjustments might be necessary to donation revenue, excess of revenues over expenses, and cash flows from operations for the years ended April 30, 2019 and 2018, current assets as at April 30, 2019 and 2018, and net assets as at May 1 and April 30 for both the 2019 and 2018 years. Our audit opinion on the consolidated financial statements for the year ended April 30, 2018 was modified accordingly because of the possible effects of this limitation in scope.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated 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.

In preparing the consolidated financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Victoria, Canada
August 24, 2019



Chartered Professional Accountants

TLC The Land Conservancy of British Columbia

Consolidated Statement of Operations

Year ended April 30

2019

2018

	General Fund	Restricted Fund	Endowment Fund	Total	Total
Revenue					
Donations	\$ 589,734	\$ 154,751	\$ -	\$ 744,485	\$ 402,694
Grants	15,814	35,441	-	51,255	38,627
Memberships	138,664	5,116	-	143,780	155,232
Other income	3,470	18,520	-	21,990	9,239
Donations in-kind	58,990	49,123	-	108,113	67,407
Rental income	586	30,826	-	31,412	30,062
	<u>807,258</u>	<u>293,777</u>	<u>-</u>	<u>1,101,035</u>	<u>703,261</u>
Expenses					
Advertising	3,546	4,059	-	7,605	9,830
Amortization	11,459	5,011	-	16,470	10,244
Consulting	-	11,063	-	11,063	3,271
Donations (Note 11)	-	45,000	10,000	55,000	-
Fundraising	783	-	-	783	1,043
Interest and bank charges	4,534	-	-	4,534	6,804
Insurance	15,305	8,536	-	23,841	20,988
Licenses, dues, and fees	1,084	100	-	1,184	1,665
Office supplies, printing, postage	23,791	1,609	-	25,400	30,310
Other expenses	24,905	11,109	-	36,014	37,041
Professional fees	49,586	46,221	-	95,807	109,106
Property taxes	-	17,421	-	17,421	16,173
Rent and utilities	21,977	18,656	-	40,633	40,186
Repairs and maintenance	1,942	22,819	-	24,761	7,881
Salaries, wages and benefits	184,374	205,703	-	390,077	374,789
Telephone	6,885	587	-	7,472	9,975
Transfer to other agencies	5,278	1,776	-	7,054	15,542
Travel	2,995	5,385	-	8,380	6,945
	<u>358,444</u>	<u>405,055</u>	<u>10,000</u>	<u>773,499</u>	<u>701,793</u>
Excess (deficiency) of revenue over expenses before other items	448,814	(111,278)	(10,000)	327,536	1,468
Debt extinguishment (Note 12)	-	124,644	-	124,644	-
Transfer of conservation land (Note 12)	-	(40,621)	-	(40,621)	(25,580)
Excess (deficiency) of revenue over expenses	<u>\$ 448,814</u>	<u>\$ (27,255)</u>	<u>\$ (10,000)</u>	<u>\$ 411,559</u>	<u>\$ (24,112)</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

2019

2018

	<u>General Fund</u>	<u>Restricted Fund</u>	<u>Endowment Fund</u>	<u>Total</u>	<u>Total</u>
Fund balances, beginning of year	\$ 543,807	\$ 25,360,423	\$ 10,000	\$ 25,914,230	\$ 25,938,342
Excess (deficiency) of revenue over expenses	448,814	(27,255)	(10,000)	411,559	(24,112)
Interfund transfer (Note 9)	<u>(337,119)</u>	<u>337,119</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, end of year	<u>\$ 655,502</u>	<u>\$ 25,670,287</u>	<u>\$ -</u>	<u>\$ 26,325,789</u>	<u>\$ 25,914,230</u>

See accompanying notes to the consolidated financial statements.

TLC The Land Conservancy of British Columbia

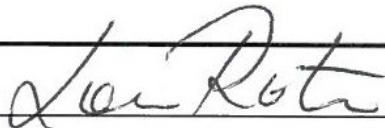
Consolidated Statement of Financial Position

April 30

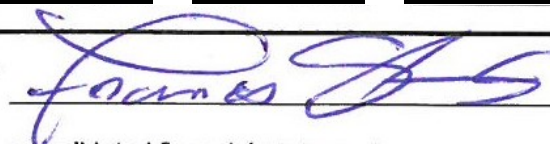
2019

2018

	General Fund	Restricted Fund	Endowment Fund	Total	Total
Assets					
Current					
Cash and cash equivalents	\$ 500,544	\$ 135,998	\$ -	\$ 636,542	\$ 478,299
Cash held in trust	-	30,085	-	30,085	25,000
Receivables	21,289	-	-	21,289	17,320
Prepays	23,876	-	-	23,876	18,931
	<u>545,709</u>	<u>166,083</u>	<u>-</u>	<u>711,792</u>	<u>539,550</u>
Investments (Note 3)	129,000	-	-	129,000	129,000
Conservation covenants (Note 2(f))	-	16,419,224	-	16,419,224	16,413,399
Capital assets (Note 4)	45,669	9,093,199	-	9,138,869	9,036,185
	<u>\$ 720,379</u>	<u>\$ 25,678,506</u>	<u>\$ -</u>	<u>\$ 26,398,885</u>	<u>\$ 26,118,134</u>
Liabilities					
Current					
Payables and accruals	\$ 64,877	\$ 8,219	\$ -	\$ 73,096	\$ 79,260
Mortgage payable	-	-	-	-	124,644
	<u>64,877</u>	<u>8,219</u>	<u>-</u>	<u>73,096</u>	<u>203,904</u>
Fund Balances					
Invested in conservation covenants	-	16,419,224	-	16,419,224	16,413,399
Invested in capital assets	45,669	9,084,980	-	9,130,650	8,887,770
Internally restricted (Note 9)	-	104,693	-	104,693	116,174
Externally restricted	-	61,390	-	61,390	62,972
Unrestricted	609,833	-	-	609,833	433,915
	<u>655,502</u>	<u>25,670,287</u>	<u>-</u>	<u>26,325,789</u>	<u>25,914,230</u>
	<u>\$ 720,379</u>	<u>\$ 25,678,506</u>	<u>\$ -</u>	<u>\$ 26,398,885</u>	<u>\$ 26,118,134</u>



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

				2019	2018
	General Fund	Restricted Fund	Endowment Fund	Total	Total
Increase (decrease) in cash					
Operating activities					
Excess (deficiency) of revenue over expenses	\$ 448,814	\$ (27,255)	\$ (10,000)	\$ 411,559	\$ (24,112)
Items not involving cash					
Amortization of capital assets	11,459	5,011	-	16,470	10,244
Debt extinguishment	-	(124,644)	-	(124,644)	-
Transfer of conservation land	-	40,621	-	40,621	25,580
	<u>460,273</u>	<u>(106,267)</u>	<u>(10,000)</u>	<u>344,006</u>	<u>11,712</u>
Changes in non-cash operating working capital (Note 8)	<u>(24,142)</u>	<u>4,082</u>	<u>-</u>	<u>(20,060)</u>	<u>(16,384)</u>
	<u>436,131</u>	<u>(102,185)</u>	<u>(10,000)</u>	<u>323,946</u>	<u>(4,672)</u>
Financing activities					
Debt repayment	-	-	-	-	(290)
Investing activities					
Purchase of capital assets	<u>(34,219)</u>	<u>(131,484)</u>	<u>-</u>	<u>(165,703)</u>	<u>(40,592)</u>
Net change in due to (from) other funds	(235,521)	225,521	10,000	-	-
Net increase (decrease) in cash and cash equivalents	401,912	(233,669)	(10,000)	158,243	(45,554)
Cash and cash equivalents, beginning of year	<u>334,153</u>	<u>144,146</u>	<u>-</u>	<u>478,299</u>	<u>523,853</u>
Cash and cash equivalents, end of year	\$ <u>500,544</u>	\$ <u>135,998</u>	\$ <u>-</u>	\$ <u>636,542</u>	\$ <u>478,299</u>

See accompanying notes to the consolidated financial statements.

TLC The Land Conservancy of British Columbia

Notes to the Consolidated Financial Statements

April 30, 2019

1. 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.

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 recognized as received.

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.

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.

TLC The Land Conservancy of British Columbia

Notes to the Consolidated Financial Statements

April 30, 2019

2. Summary of significant accounting policies (continued)

(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 (2018: \$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.

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.

TLC The Land Conservancy of British Columbia

Notes to the Consolidated Financial Statements

April 30, 2019

2. Summary of significant accounting policies (continued)

During the year, the Society acquired conservation land in the Clearwater area of British Columbia to protect a wildlife corridor for an amount of \$101,002. In addition, the Society registered a covenant on the Pugh Family property in Central Saanich, British Columbia, with legal costs of \$4,640 capitalized in relation to the establishment of the covenant.

(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%.

(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, 2019

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	2019	2018
Investment in Horse Lake Community Farm Co-operative	\$ 5,000	\$ 5,000
Charitable Remainder Trust investments	124,000	124,000
	\$ 129,000	\$ 129,000

4. Capital assets			2019	2018
	Cost	Accumulated amortization	Net book value	Net book value
Restricted Fund				
Conservation lands	\$ 9,011,590	\$ -	\$ 9,011,590	\$ 8,946,320
Buildings	155,980	82,238	73,742	68,903
Furniture and equipment	8,986	2,114	6,872	1,532
Historic collections	995	-	995	995
	\$ 9,177,552	\$ 84,352	\$ 9,093,199	\$ 9,017,750
General Fund				
Furniture and equipmer	\$ 17,204	\$ 9,888	\$ 7,316	\$ 3,880
Computer equipment	24,847	17,415	7,432	11,812
Vehicle	90,454	59,532	30,922	2,743
	\$ 132,505	\$ 86,836	\$ 45,669	\$ 18,435

TLC The Land Conservancy of British Columbia

Notes to the Consolidated Financial Statements

April 30, 2019

5. Supplementary cash flow information

	<u>General</u>	<u>Restricted</u>	<u>2019</u>	<u>2018</u>
Changes in non-cash working capital				
Cash held in trust	\$ -	\$ (5,085)	\$ (5,085)	31,050
Receivables	(3,969)	-	(3,969)	\$ 19,222
Prepays	(11,126)	6,284	(4,842)	(11,298)
Payables and accruals	<u>(9,047)</u>	<u>2,883</u>	<u>(6,164)</u>	<u>(55,358)</u>
	\$ <u>(24,142)</u>	\$ <u>4,082</u>	\$ <u>(20,060)</u>	\$ <u>(16,384)</u>

6. Commitments

The Society has committed to a lease agreement for their office space which extends to September, 2019 and has agreed to subscription payments for software extending to February, 2020. The following are the minimum annual payments under these agreements:

2020	\$ <u>14,690</u>
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7. Financial Instruments

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

Credit risk

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

Interest rate risk

The Society is exposed to interest rate risk with respect to its fixed rate investments, such as GICs. Cash flows will fluctuate as the interest rate is linked to the bank's prime rate which is subject to change.

Liquidity risk

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

TLC The Land Conservancy of British Columbia

Notes to the Consolidated Financial Statements

April 30, 2019

8. Remuneration

Under the British Columbia Societies Act there is a requirement to disclose the remuneration paid to all directors, and certain employees and 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.

9. Internally restricted funds and interfund transfers

The Society has internally restricted funds for future staffing reserves, future improvements to the Abkhazi Garden property and for future covenant defense. As of April 30, 2019, the balance of these three internally restricted amounts were \$61,128, \$23,260, and \$20,305 respectively.

During the year the Society transferred \$12,310 out of the internally restricted funds into the general fund to cover the costs of projects related to the above mentioned purposes.

In addition, during the year the Society approved a transfer of \$349,429 from the general fund to the restricted fund to cover restricted fund operating deficits and capital expenditures incurred in the current year.

10. Related party transactions

During the year, the Society received contributions from members of the board of directors totalling \$13,059. Included in this amount are donations in kind of \$11,488. Cash and donations in kind are valued at the fair market value of the items received on the date of the contribution.

11. Donations

During the year, the Society contributed funds to other agencies totalling \$55,000.

Included in this amount is \$40,000 transferred to the Victoria Foundation for the purpose of establishing an endowment to provide annual funds to provide bursaries to students enrolled in conservation programs.

Additionally, \$15,000 has been contributed to other agencies to support costs associated with covenant protection.

TLC The Land Conservancy of British Columbia

Notes to the Consolidated Financial Statements

April 30, 2019

12. Debt extinguishment

During the year, the Society extinguished the last remaining debt from the CCAA process by transferring conservation lands. The net book value of the land conservation transferred was \$40,621 while the netbook value of the debt extinguished was \$124,644. This resulted in a net surplus of \$84,023 recognized in the restricted fund.

13. Endowment Funds held by the Victoria Foundation and Vancouver Foundation

The Society is the beneficiary of several endowment funds held at the Victoria Foundation and the Vancouver Foundation. Donations made to these foundations are held in perpetuity and pooled with their other capital funds for investment purposes, within the investment guidelines, as approved by their directors. Annual operating grants are distributed to the Society based on the investment returns and are recognized in the restricted fund.

As at March 31, 2019, the funds held by the Victoria Foundation had a fair market value of approximately \$1,026,818. The Society also is the recipient of distributions from endowment funds held by the Vancouver foundation with a fair market value of \$172,539.
