



Consolidated Financial Statements

TLC The Land Conservancy of British Columbia

April 30, 2011

Contents

	Page
Independent's 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 Changes in Funds Invested in Capital Assets	6
Consolidated Statement of Cash Flows	7
Notes to the Consolidated Financial Statements	8-23

Independent auditors' report

Grant Thornton LLP
3rd Floor
888 Fort Street
Victoria, BC
V8W 1H8
T (250) 383-4191
F (250) 381-4623
www.GrantThornton.ca

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 (the Society), which comprise the consolidated statement of financial position as at April 30, 2011, and the consolidated statements of operations, changes in fund balances, changes in funds invested in capital assets, and cash flows for the year then ended, 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 generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the 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 financial statements.

We believe that the audit evidence we have obtained 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, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Society and we were not able to determine whether any adjustments might be necessary to revenues, net revenue, assets and fund balances.

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, 2011, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Emphasis of matter

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Society has a significant working capital deficiency of \$3,531,262, an unrestricted deficit of \$2,926,520 and a decrease in net cash flows of \$172,515 for the year ended April 30, 2011. These conditions, along with the other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the Society's ability to continue as a going concern.

Victoria, Canada
September 15, 2011



Chartered accountants

TLC The Land Conservancy of British Columbia

Consolidated Statement of Operations

Year Ended April 30

2011

2010

	General Fund	Restricted Fund	Endowment Fund	Total	Total
Revenue					
Donations and bequests	\$ 1,250,170	\$ 2,120,610	\$ -	\$ 3,370,780	\$ 3,242,336
Grants	309,916	73,711	-	383,627	431,505
Memberships	446,012	6,766	-	452,778	371,693
Other income	71,941	176,756	-	248,697	208,121
Donations in-kind	302,559	321,657	-	624,216	6,158,726
Rental income	162,496	80,772	-	243,268	228,928
	<u>2,543,094</u>	<u>2,780,272</u>	<u>-</u>	<u>5,323,366</u>	<u>10,641,309</u>
Expenses					
Advertising and promotion	29,256	13,993	-	43,249	62,151
Amortization	46,452	80,839	-	127,811	143,980
Conferences and seminars	3,828	5,917	-	9,745	9,725
Consulting	115,910	38,396	-	154,306	267,113
Fundraising	18,180	8,791	-	26,971	52,493
Interest and bank charges	49,860	5,576	-	55,436	33,195
Interest on long-term debt	74,880	199,958	-	274,838	255,213
Insurance	78,753	-	-	78,753	90,732
Licences, dues and fees	1,327	1,431	-	2,758	2,763
Memberships	560	334	-	894	4,398
Office supplies, printing, postage	11,270	67,444	-	78,714	78,012
Professional fees	96,869	11,229	-	108,098	56,084
Other expenses	66,548	96,314	-	162,862	85,197
Property taxes	-	74,198	-	74,198	78,451
Rent and utilities	133,626	30,371	-	163,997	174,708
Repairs and maintenance	54,613	86,472	-	141,085	177,987
Salaries, wages and benefits	1,055,301	1,248,642	-	2,303,943	1,785,012
Telephone	68,235	11,998	-	80,233	64,952
Transfers to other agencies	(2,638)	272,712	-	270,074	1,645,408
Travel	25,468	22,711	-	48,179	68,208
	<u>1,928,298</u>	<u>2,277,846</u>	<u>-</u>	<u>4,206,144</u>	<u>5,135,782</u>
Excess of revenue over expenses	\$ <u>614,796</u>	\$ <u>502,426</u>	\$ <u>-</u>	\$ <u>1,117,222</u>	\$ <u>5,505,527</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				2011	2010
	General Fund	Restricted Fund	Endowment Fund	Total	Total
Fund balances, beginning of year	\$ (3,167,065)	\$ 41,940,916	\$ 400,000	\$ 39,173,851	\$ 33,668,324
Excess of revenue over expenses	614,796	502,426	-	1,117,222	5,505,527
Interfund transfers	<u>(277,374)</u>	<u>277,374</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, end of year	\$ <u>(2,829,643)</u>	\$ <u>42,720,716</u>	\$ <u>400,000</u>	\$ <u>40,291,073</u>	\$ <u>39,173,851</u>

See accompanying notes to the consolidated financial statements.

TLC The Land Conservancy of British Columbia

Consolidated Statement of Financial Position

April 30

2011

2010

	General Fund	Restricted Fund	Endowment Fund	Total	Total
Assets					
Current					
Cash and cash equivalents	\$ 134,492	\$ -	\$ -	\$ 134,492	\$ 261,198
Receivables (Note 8)	57,414	185,482	-	242,896	200,801
Prepays	29,914	11,956	-	41,870	39,419
Inventory	19,045	-	-	19,045	51,505
Deposits on land (Note 3)	-	58,930	-	58,930	260,570
	240,865	256,368	-	497,233	813,493
Investments (Notes 4 and 8)	-	134,502	400,000	534,502	134,502
Capital assets (Note 6)	155,930	46,551,043	-	46,706,973	44,124,022
	\$ 396,795	\$ 46,941,913	\$ 400,000	\$ 47,738,708	\$ 45,072,017
Liabilities					
Current					
Line of credit (Note 4)	\$ -	\$ 445,809	\$ -	\$ 445,809	\$ -
Payables and accruals (Note 5)	642,345	253,545	-	895,890	357,059
Refundable deposits	-	-	-	-	-
Deferred rental revenue	69,731	-	-	69,731	81,858
Deferred membership revenue	44,215	-	-	44,215	54,597
Due to (from) other Fund	1,005,109	(1,005,109)	-	-	-
Current portion of long-term debt	815,235	1,757,615	-	2,572,850	1,911,827
	2,576,635	1,451,860	-	4,028,495	2,405,341
Deferred revenue (Note 8)	16,667	270,272	-	286,939	262,167
Long-term debt (Note 5 and 7)	633,136	2,499,065	-	3,132,201	3,230,658
	3,226,438	4,221,197	-	7,447,635	5,898,166
Fund Balances					
Invested in capital assets	96,877	42,294,363	-	42,391,240	40,652,433
Externally restricted (Notes 2 and 12)	-	426,353	400,000	826,353	1,787,281
Unrestricted	(2,926,520)	-	-	(2,926,520)	(3,265,863)
	(2,829,643)	42,720,716	400,000	40,291,073	39,173,851
	\$ 396,795	\$ 46,941,913	\$ 400,000	\$ 47,738,708	\$ 45,072,017

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

On behalf of the Board: _____ Director _____ Director

TLC The Land Conservancy of British Columbia

Consolidated Statement of Changes in Funds Invested in Capital Assets

Year Ended April 30				2011	2010
	<u>General Fund</u>	<u>Restricted Fund</u>	<u>Endowment Fund</u>	<u>Total</u>	<u>Total</u>
Investment in capital assets, beginning of year,	\$ 98,798	\$ 40,553,635	\$ -	\$ 40,652,433	\$ 35,802,313
Additions to capital assets	11,280	2,699,482	-	2,710,762	6,047,674
Disposition of capital assets	-	-	-	-	(2,133,307)
Amortization to capital assets	(46,452)	(81,359)	-	(127,811)	(143,980)
Reduction (increase) of debt relating to purchase of capital assets, net	<u>33,251</u>	<u>(877,395)</u>	<u>-</u>	<u>(844,144)</u>	<u>1,079,733</u>
Investment in capital assets, end of year	<u>\$ 96,877</u>	<u>\$ 42,294,363</u>	<u>\$ -</u>	<u>\$ 42,391,240</u>	<u>\$ 40,652,433</u>

See accompanying notes to the consolidated financial statements.

TLC The Land Conservancy of British Columbia

Consolidated Statement of Cash Flows

Year Ended April 30

2011

2010

	General Fund	Restricted Fund	Endowment Fund	<u>Total</u>	<u>Total</u>
Increase (decrease) in cash					
Operating activities					
Excess of revenue over expenses	\$ 614,796	\$ 502,426	\$ -	\$ 1,117,222	\$ 5,505,527
Amortization of capital assets	46,452	81,359	-	127,811	143,980
Amortization of deferred revenue	-	(1,904)	-	(1,904)	(4,798)
Non-cash donations and transfers, net	<u>(276,926)</u>	<u>86,834</u>	<u>-</u>	<u>(190,092)</u>	<u>(4,390,612)</u>
	384,322	668,715		1,053,037	1,254,097
Changes in non-cash operating working capital (Note 11)	<u>430,490</u>	<u>73,298</u>	<u>-</u>	<u>503,788</u>	<u>(258,611)</u>
	<u>814,812</u>	<u>742,013</u>	<u>-</u>	<u>1,556,825</u>	<u>995,486</u>
Financing activities					
Loan principal repayments, net of advances	(314,829)	877,843	-	563,014	(1,174,719)
Long term deferred revenue	16,667	8,105	-	24,722	-
Due to (from) other Fund	<u>(470,740)</u>	<u>7,740</u>	<u>400,000</u>	<u>-</u>	<u>-</u>
	<u>(705,902)</u>	<u>893,688</u>	<u>400,000</u>	<u>587,786</u>	<u>(1,174,719)</u>
Investing activities					
Purchase of land and capital assets	(11,280)	(2,507,486)	-	(2,518,766)	(32,371)
Proceeds on sale of capital assets	-	-	-	-	504,192
Deposits paid on land, net	-	201,640	-	201,640	(176,647)
Investment in farming co-operative	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(25,000)</u>
	<u>(11,280)</u>	<u>(2,305,846)</u>	<u>-</u>	<u>(2,317,126)</u>	<u>270,174</u>
Net increase (decrease) in cash and cash equivalents	97,630	(670,145)	400,000	(172,515)	90,941
Cash and cash equivalents (net of line of credit), beginning of year	<u>36,862</u>	<u>224,336</u>	<u>-</u>	<u>261,198</u>	<u>170,257</u>
Cash and cash equivalents (net of line of credit), end of year	\$ <u>134,492</u>	\$ <u>(445,809)</u>	\$ <u>-</u>	\$ <u>(311,317)</u>	\$ <u>261,198</u>

See accompanying notes to the consolidated financial statements.

TLC The Land Conservancy of British Columbia

Notes to the Consolidated Financial Statements

April 30, 2011

1. Purpose of the Society and going concern

(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) Going concern

The consolidated financial statements were prepared using Canadian generally accepted accounting principles (GAAP) that are applicable to a going concern. The going concern basis assumes that the Society will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of operations.

The Society has a significant working capital deficiency of \$3,531,262, and unrestricted deficit of \$2,926,520, a decrease in net cash flows of \$172,515, and has incurred short and long term debt to fund general operations and for the acquisition of conservation lands and covenants. There is significant doubt about the Society's ability to continue as a going concern. The Society will need to raise significant cash flow to fund operations and fund current and long term liabilities. The Society has been successful in raising funds over its fourteen years of operation, and has a consistent record of growing its membership base year over years; however, there can be no assurances that additional funding will be available in the future. These uncertainties may cast significant doubt on the Society's ability to continue as a going concern and, ultimately, the appropriateness of the use of accounting principles applicable to a going concern.

It is managements' belief that this vital funding will continue in the future, therefore these consolidated financial statements have been prepared on a going concern basis, which assumes that the Society will be able to realize assets and discharge liabilities in the normal course of operations for the foreseeable future. In addition, management is taking steps to increase membership revenue, expanding its fundraising efforts, renegotiating debt repayment terms and reducing operating expense costs. There can be no assurance that the steps management is taking will be successful.

TLC The Land Conservancy of British Columbia

Notes to the Consolidated Financial Statements

April 30, 2011

1. Purpose of the Society and going concern (continued)

(b) Going concern (continued)

These consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported revenues and expenses and statement of financial position classifications that would be necessary if the Society were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

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.

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

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

TLC The Land Conservancy of British Columbia

Notes to the Consolidated Financial Statements

April 30, 2011

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) Inventory

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

(f) Capital assets and amortization

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

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

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

The Society also owns historic collections with a cost of \$58,882 (2010: \$42,641). No amortization is being provided for on such assets.

(g) Contributed assets

Contributed capital assets are recognized at their fair value, which is supported by independent appraisal. During the year, the Society received contributed land of \$48,000 (2010: \$2,221,520) and received contributed covenants of \$151,087 (2010: \$3,788,896).

TLC The Land Conservancy of British Columbia

Notes to the Consolidated Financial Statements

April 30, 2011

2. Summary of significant accounting policies (continued)

(h) Endowment contributions

The Society receives endowment contributions which are specified for transfer for holding purposes to the Victoria Foundation, the Vancouver Foundation or the Community Foundation of the South Okanagan (the "foundations"). Receipts are shown as revenues of the General Fund and the corresponding transfer is shown in expenses under transfers to other agencies. These funds are held by the foundations and the Society is entitled to receive an annual distribution from income earned on them between 2% and 4.5%. As at April 30, 2011, the funds held by the foundations had a fair market value of approximately \$582,573 (2010: \$698,000). In addition, the Society has an endowment fund for the Teck-Fort Shepherd Conservation Fund. The funds, as directed by the donor are to be held as an endowment, and the income from its investment is to be used for the direct management, and for preservation activities and projects on the Fort Shepherd lands. The balance of this endowment fund at year end is \$400,000.

(i) Financial instruments

The Society's financial instruments consist of cash and cash equivalents, receivables, deposits on land, investments, a line of credit, payables and accruals, due to (from) other funds, and long term debt. Unless otherwise noted, it is management's opinion that the Society is not exposed to significant interest rate, credit or currency risks arising from these financial instruments. The Society has classified cash and cash equivalents as held for trading. These instruments are initially recognized at cost and subsequently recognized at their fair value, which approximates cost due to their short-term to maturity.

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

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

The Society has classified payables and accruals and long-term debt as other financial liabilities. These liabilities are initially recognized at their fair value. Fair value is approximated by the instruments' initial cost of a transaction between unrelated parties. Other financial liabilities are subsequently measured at their amortized cost using the effective interest method. Gains and losses arising from changes in fair value are recognized in the statement of operations upon de-recognition or impairment. The Society has chosen the option for a not-for profit organization to apply Section 3861 – Financial Instruments – Disclosure and Presentation, in place of Sections 3861 and 3862.

TLC The Land Conservancy of British Columbia

Notes to the Consolidated Financial Statements

April 30, 2011

2. Summary of significant accounting policies (continued)

(j) Long-lived assets

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

(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. Deposits on land	<u>2011</u>	<u>2010</u>
Deposit on the purchase of property at 5560 Munns Road, Highlands in the Victoria area of British Columbia. Deposit returned February 24, 2011.	\$ -	\$ 5,000
Deposits on the purchase of a conservation covenant on a property located on Gabriola Island, British Columbia known as Gabriola Commons. Purchase was to complete by December 2008 but has yet to be finalized. Ownership of the property is to be transferred to Gabriola Commons Foundation. It is anticipated that a new agreement to purchase the covenant will be signed at that time	48,930	46,570
Deposit on the purchase of property for the Clearwater Wetlands and Corridor project, Clearwater, British Columbia	5,000	-
Deposit on the purchase of property for the Horsefly River Expansion project, Horsefly, British Columbia.	5,000	-
Deposit on the purchase of a property in the Victoria area of British Columbia known as Madrona Farm. Purchase completed by June 15, 2010	<u>-</u>	<u>209,000</u>
	<u>\$ 58,930</u>	<u>\$ 260,570</u>

TLC The Land Conservancy of British Columbia

Notes to the Consolidated Financial Statements

April 30, 2011

4. Investments	<u>2011</u>	<u>2010</u>
Investment in Keating Community Farm Co-operative		
Membership units	\$ 5,502	\$ 5,502
Note receivable (Note 8)	-	-
Investment in Horse Lake Community Farm Co-operative	5,000	5,000
Charitable Remainder Trust investments	124,000	124,000
TD GIC held for Endowment Fund	<u>400,000</u>	<u>-</u>
	<u>\$ 534,502</u>	<u>\$ 134,502</u>

The Society is named as a beneficiary of two Charitable Remainder Trusts. The balance of \$124,000 represents the actuarial value of the trusts at the date of funding.

In 2010, the Society wrote down its investment in Keating Community Farm Co-operative to reflect the estimated realizable value of its investment. The write-down to the investment in membership units and note receivable was applied as a reduction in the deferred revenue as indicated in Note 8. During the year, a \$10,000 payment was received from the Co-Op and reported as revenue. The amount of the note payable and related allowance has been adjusted to reflect this payment received. See Note 8.

The TD GIC has been assigned as security for the Society's demand line of credit, which bears interest at prime plus 1%.

5. Related party transactions	<u>2011</u>	<u>2010</u>
Due to the executive director of the Society:		
Included in accounts payable	\$ 81,421	\$ 64,807
Loans payable	<u>66,799</u>	<u>66,799</u>
	<u>\$ 148,220</u>	<u>\$ 131,606</u>
Due to Board Member	\$ 5,000	\$ -
Due to Employee Owned Mortgage Company	129,822	-
Donations received from related parties	11,874	14,491

A related company was formed during the year to provide a vehicle for employees and others to make secured investments in TLC. These investments were secured with a mortgage on Ayum Creek, a non-conservation rental property. The mortgage payable bears interest at 5.0% per annum and is repayable in annual payments of interest only. The principle balance is due February 2016.

TLC The Land Conservancy of British Columbia

Notes to the Consolidated Financial Statements

April 30, 2011

6. Capital assets			<u>2011</u>	<u>2010</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Restricted Fund				
Conservation lands	\$ 32,543,652	\$ -	\$ 32,543,652	\$ 29,995,652
Conservation covenants	12,657,222	-	12,657,222	12,528,847
Buildings	1,549,651	350,563	1,199,088	1,262,198
Furniture and equipment	260,161	167,342	92,819	103,582
Historic collections	<u>58,882</u>	<u>-</u>	<u>58,882</u>	<u>42,641</u>
	<u>47,069,568</u>	<u>517,905</u>	<u>46,551,663</u>	<u>43,932,920</u>
General Fund				
Furniture and equipment	185,372	112,945	72,427	77,237
Computer equipment	65,877	60,409	5,468	8,251
Vehicle	<u>220,546</u>	<u>143,131</u>	<u>77,415</u>	<u>105,614</u>
	<u>471,795</u>	<u>316,485</u>	<u>155,310</u>	<u>191,102</u>
	<u>\$ 47,541,363</u>	<u>\$ 834,390</u>	<u>\$ 46,706,973</u>	<u>\$ 44,124,022</u>

7. Long term debt	<u>2011</u>	<u>2010</u>
(a) Loan payable is unsecured, bears no interest and is repayable with monthly payments of principal only. A payment agreement is in place	\$ 110,000	\$ 230,000
(b) Non-interest bearing note is unsecured and is due on demand	50,000	50,000
(c) Mortgage related to Wildwood property is secured by real property, bears interest at 5.5% per annum and is repayable in monthly payments of \$61, principal and interest. Due December 2014. Repaid in full during the year	-	9,937
(d) Mortgage related to Horsefly River property is secured by a first charge on real property, bears interest at 5.5% per annum and is repayable in monthly payments of \$539, principal and interest. Due April 2012	53,576	57,023
(e) Mortgage related to Horsefly River property is secured by a first charge on real property, bears interest at 5.5% per annum and is repayable in monthly payments of \$539, principal and interest. Due April 2012	53,576	57,023

TLC The Land Conservancy of British Columbia

Notes to the Consolidated Financial Statements

April 30, 2011

7. Long term debt (continued)	<u>2011</u>	<u>2010</u>
(f) Mortgage payable to Coast Capital Savings Credit Union for Ayum Creek project is secured by real property, bears interest at prime plus 2.0% per annum and is repayable in blended monthly payments of \$534, principal and interest. Due November 2012	61,624	64,623
(g) Mortgage payable to Coast Capital Savings Credit Union related to Ross Bay Villa Project, is secured by real property, bears interest at prime plus 2.0% per annum and is repayable in blended monthly payments of \$1,156, principal and interest. Due November 2012	133,364	139,858
(h) Mortgage payable is secured by Wildwood property, bears interest at 6.0% per annum and is repayable in blended monthly payments of \$1,151, principal and interest. Repaid in full during the year	-	87,797
(i) Mortgage payable is secured by Ayum property, bears interest at 5.0% per annum and is repayable in annual payments of interest only. Due February 2016	129,821	-
(j) Mortgage payable related to the Eagle Bluff Project is secured by real property, bears interest at 4.0% per annum and is repayable with monthly interest payments only. Due November 2034	101,757	101,757
(k) Mortgage payable due to Thwaytes Landing Preservation Corp. relating to Thwaytes Landing project, is secured by a first charge on real property, bears interest at 6.0% per annum and is repayable in monthly payments of \$2,222, principal plus interest. Due September 2013	196,096	222,765
(l) Mortgage related to Wildwood property is secured by real property, bears interest at 5.5% per annum and is repayable in monthly payments of \$183, principal and interest. Repaid in full during the year	-	29,810
(m) Mortgages payable secured by Squamish Corridor property, each bears interest at 6.0% per annum and is repayable with monthly payments of interest only. Due January 2015	1,500,000	300,000
(n) Mortgage payable is secured by Abkhazi property #2, bears interest at 6.0% and is repayable in monthly payments of \$409, principal and interest. Due February 2012	57,244	58,717

TLC The Land Conservancy of British Columbia

Notes to the Consolidated Financial Statements

April 30, 2011

7. Long term debt (continued)	<u>2011</u>	<u>2010</u>
(o) Promissory note payable to the District of Saanich is unsecured, bears no interest and is repayable in equal annual payments of \$54,770 in September each year until September 2011	54,770	109,540
(p) Mortgage payable, related to Madrona Farm, is secured by real property, bears interest at 6.0% per annum with monthly interest only payments. June 2011	300,000	-
(q) Mortgages payable to Coast Capital Savings Credit Union related to the Ayum Creek property, is secured by real property, bears interest at prime plus 2.0% per annum and is repayable in blended monthly payments of \$361. Due November 2012	41,644	43,672
(r) Mortgage payable with a charge on a lot purchased and now incorporated into the Abkhazi Garden property, bears interest at 6.0% per annum and is repayable in blended monthly payments of \$495, principal and interest. Due December 2014	55,610	58,177
(s) Mortgage payable to HSBC Bank Canada related to Squamish Corridor property, bears interest at prime plus 1% per annum, and is repayable in blended monthly payments of \$5,750, principal and interest. Repaid in full during the year	-	326,494
(t) Loan payable is unsecured, bears interest at 6.0% per annum (calculated and compounding monthly) and is repayable on demand. Unpaid interest in the current year has been added to the debt outstanding, a repayment plan is now in place	50,311	49,112
(u) Unsecured loan bears interest at 4.0% per annum. Due January 2012	27,799	27,799
(v) Various unsecured loans payable bearing interest at 4.0% per annum and having no principal payments until the due dates between October 2011 to October 2012	49,000	49,000
(w) Mortgage related to the Wildwood project, bears interest at 6.0% per annum with monthly payments of \$840, principal and interest. Repaid during the year	-	64,086

TLC The Land Conservancy of British Columbia

Notes to the Consolidated Financial Statements

April 30, 2011

7. Long term debt (continued)	<u>2011</u>	<u>2010</u>
(x) Mortgage related to the Wildwood project, bears interest at 6.0% per annum with blended monthly payments of \$840, principal and interest. Due April 2013	-	15,928
(y) Mortgage payable, related to Wycliffe property, is secured by real property, bears interest at 5.0% per annum and is repayable in monthly principal payments of \$500 plus interest. Due September 2013	19,500	25,500
(z) Promissory note in favour of the Community Futures Development Corporation of Boundary Area bears interest at 6.25% per annum and is repayable in blended monthly payments of \$1,000, principal and interest. Due March 2012	19,606	30,044
(aa) Mortgage payable to the Grand Forks District Savings Credit Union is secured by a first charge on real property, bears interest at a variable rate (5.75% as at April 30, 2011) and is repayable with blended monthly payments of \$500, principal and interest. Due April 2012	39,983	43,619
(bb) Unsecured loan bears no interest and is repayable with monthly payments of principal only, after the loan mentioned under (b) has been repaid. Due on demand	250,000	250,000
(cc) Mortgage payable, secured by Keating Farm Estate property, bears interest at 6.0% per annum and is repayable with monthly principal payments of \$2,585 plus interest. Due August 2012	213,507	244,527
(dd) Mortgage payable, secured by Abkhazi Garden property, bears interest at prime plus 2.0% per annum and is repayable with blended monthly payments of \$10,037, principal and interest. Due February 2012	980,124	1,052,411
(ee) Mortgage payable, secured by Cowichan River property, bears interest at 6.0% per annum and is repayable with blended monthly payments of \$640, principal and interest, Due March 2012	37,536	42,818
(ff) Mortgage payable, secured by Kogawa House property, bears interest at 6.0% per annum and is repayable with blended monthly payments of \$709, principal and interest. Due May 2012	98,988	101,543

TLC The Land Conservancy of British Columbia

Notes to the Consolidated Financial Statements

April 30, 2011

7. Long term debt (continued)	<u>2011</u>	<u>2010</u>
(gg) Mortgage payable, secured by Luke Creek property, bears interest at 2.8% per annum and is repayable with blended monthly payments of \$366, principal and interest. Due May 2012	31,353	34,806
(hh) Various unsecured loans payable, bearing interest from 7.0% to 8.0% per annum and with interest payable annually on the anniversary date of the loan. No principal payments are due until the loan maturity dates which occur over October 2011 to February 2014	460,000	460,000
(ii) Unsecured loan payable, bears interest at 5.5% per annum and is repayable with payments of interest quarterly. Repaid during the year	-	20,000
(jj) Mortgage related to Wildwood property, bears interest at 5.5% per annum and is repayable in monthly payments of \$183, principal and interest. Repaid during the year	-	29,810
(kk) Unsecured loan payable, bears interest at 1.0% per annum and is repayable with interest payable annually on the anniversary date of the loan. Due June 2011	5,000	-
(ll) Loan payable related to financing of a motor vehicle, secured by the motor vehicle, non-interest bearing with monthly payments of \$423. Due March 2012	4,657	9,737
(mm) Loan payable related to financing of a motor vehicle, secured by the motor vehicle, non-interest bearing with monthly payments of \$427. Due May 2012	5,553	10,678
(nn) Loan payable related to financing of a motor vehicle, secured by the motor vehicle, non-interest bearing with monthly payments of \$531. Due March 2013	12,215	18,588
(oo) Various unsecured loans payable, bearing interest from 2.8% to 7.0% per annum with interest payable on maturity. No principal payments are due until the loan maturity dates which occur over November 2011 to December 2013. The unpaid interest on one loan was added to the debt outstanding	177,209	174,985

TLC The Land Conservancy of British Columbia

Notes to the Consolidated Financial Statements

April 30, 2011

7. Long term debt (continued)	<u>2011</u>	<u>2010</u>
(pp) Unsecured loan payable, bears interest at 4.0% per annum and is repayable with interest payable annually on the anniversary date of the loan. Due June 2014	100,000	-
(qq) Unsecured loan payable, bears interest at 8.0% per annum and is repayable with interest payable annually on the anniversary date of the loan. Due October 2011	100,000	300,000
(rr) Unsecured loan payable, bears interest at 5.25% per annum and is repayable with payments of interest annually. Due June 2011	27,000	27,000
(ss) Various unsecured loans payable, bearing interest at 6.0% per annum with interest payable annually on the anniversary date of each of the loans. No principal payments are due until the loan maturity dates which occur over December 2011 to December 2013	60,000	60,000
(tt) Loans payable related to financing of motor vehicles, secured by the motor vehicles, non-interest bearing with combined monthly payments of \$1,389. Due June 2013 to July 2013	<u>36,628</u>	<u>53,301</u>
	<u>5,705,051</u>	<u>5,142,485</u>
Less: current portion	<u>2,572,850</u>	<u>1,911,827</u>
	<u>\$ 3,132,201</u>	<u>\$ 3,230,658</u>

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

2012	\$ 2,572,850
2013	726,575
2014	527,118
2015	1,646,930
2016	129,822
Thereafter	<u>101,757</u>
	<u>\$ 5,705,051</u>

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

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

TLC The Land Conservancy of British Columbia

Notes to the Consolidated Financial Statements

April 30, 2011

8. Deferred revenue

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

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

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

In 2010, it was determined that collection of the note receivable and recovery of the full amount of its investment in membership units was doubtful, and as such the note receivable was written down to Nil and the investment in membership units to their estimated realizable value. The write-down has been applied against the balance of deferred revenue. In 2011, a \$10,000 payment was received include in the income of the Society. The note receivable and corresponding allowance has been reduced to reflect this payment.

9. Agreements for sale

On January 23, 2002, the Society entered into an agreement with Pacific Parklands Foundation, the District of North Vancouver and the Greater Vancouver Regional District ("GVRD") to purchase a property referred to as Thwaytes Landing. The Society's one-third interest in this property has been recorded as land. The Society has also recognized a mortgage against the property (see note 7 k).

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

TLC The Land Conservancy of British Columbia

Notes to the Consolidated Financial Statements

April 30, 2011

10. Commitments and contingencies

(a) Nanaimo River property lease

During the year ended April 30, 2001, the Society entered into a ninety-nine year lease with the Regional District of Nanaimo for the Nanaimo River property. Under the terms of this lease, the Society received future lease revenue, designed to coincide with payment requirements of the mortgage on the same property. The final payment was received in June 2003.

(b) Craigflower Manor and Schoolhouse

On April 30, 2003, the Society entered into agreements with the Province of British Columbia to manage the Craigflower Manor and Schoolhouse, two historic sites. Under the terms of the agreements, which run until March 31, 2018, the Society received \$125,000 for the first year's refurbishing and operation of the sites. For subsequent years, the Society is eligible to apply for up to \$15,000 per site; \$30,000 aggregate, for the maintenance of the sites.

(c) Second Lake

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

(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.

(e) Skaha Bluffs

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

TLC The Land Conservancy of British Columbia

Notes to the Consolidated Financial Statements

April 30, 2011

10. Commitments and contingencies (continued)

(f) Capital Regional District (CRD) and Cowichan Valley Regional District (CRVD) Agreements

TLC has an agreement with the Capital Regional District to make its best efforts to assist with the raising of 35% of the net purchase cost of the lands previously owned by Western Forest Products. This amount is net after calculation for the sale of sequestered carbon and any surplus lands. TLC has incorporated these lands within the Be the Change campaign. As of April 30, 2011, negotiations for this purchase were still ongoing.

TLC has an agreement with the Cowichan Valley Regional District to make its best efforts to assist in the raising of 35% of the purchase cost of the lands known as Sansum Point. TLC has incorporated these lands within the "Be the Change" campaign. As of April 30, 2011, negotiations for this purchase were still ongoing.

TLC has an agreement to assist the Capital Regional District with the purchase of the final phase of the Brooks Point Regional Park on South Pender Island. TLC has committed to cover the cost of interest for the CRD borrowing to make this purchase. The cost of interest will not exceed \$216,525 over a 4 year period but will be reduced by any reduction in the interest cost resulting from any capital cost donations or eventual sale of a portion of this property.

(g) Operating leases

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

2012	\$	155,797
2013		158,192
2014		145,515
2015		132,364
2016		130,973
Thereafter		<u>98,230</u>
	\$	<u>821,071</u>

TLC The Land Conservancy of British Columbia

Notes to the Consolidated Financial Statements

April 30, 2011

11. Supplementary cash flow information

	General Fund	Restricted Fund	Total <u>2011</u>	Total <u>2010</u>
Changes in non-cash working capital				
(Decrease) increase in:				
Receivables	\$ (20,213)	\$ (21,882)	\$ (42,095)	\$ 108,017
Prepays	3,653	(6,104)	(2,451)	(15,249)
Inventory	32,460	-	32,460	(23,114)
Deferred rental revenue	(12,127)	-	(12,127)	(93,986)
Deferred membership revenue	(10,382)	-	(10,382)	5,280
Refundable deposits	-	-	-	(133,395)
Payables and accruals	<u>437,099</u>	<u>101,284</u>	<u>538,383</u>	<u>(106,164)</u>
	<u>\$ 430,490</u>	<u>\$ 73,298</u>	<u>\$ 503,788</u>	<u>\$ (258,611)</u>

Interest on long-term debt paid on a cash basis was \$323,671 (2010: \$333,243).

12. Capital management

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

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

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

Unrestricted net assets are funds available to fund future operations.

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

13. Comparative figures

Certain 2010 comparative figures have been reclassified to conform to the presentation adopted in the current year.
