

**Island Nature Trust
Financial Statements**

For the Year Ended March 31, 2023

DRAFT

Independent Auditor's Report

To the Board of Island Nature Trust

Qualified Opinion

We have audited the financial statements of Island Nature Trust ("the Trust") which comprise the statement of financial position as at March 31, 2023 and the statements of operations, the statement of change in net assets and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Trust as at March 31, 2023 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 (ASNPO).

Basis for Qualified Opinion

In common with many non-for-profit organizations, the Trust derives revenue from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these donation revenues was limited to amounts recorded in the records of the Trust. Therefore, we were unable to determine whether any adjustments might be necessary to revenues, excess of revenue over expenses, and cash flows from operations for the years ended March 31, 2023 and 2022, current assets as at March 31, 2023 and 2022 and net assets as at April 1 and March 31 for both the 2023 and 2022 years. The audit opinion on the financial statements for the year ended March 31, 2023 was modified accordingly because of the possible effects of the limitation of 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 Financial Statements section of our report. We are independent of the Trust in accordance with the ethical requirements that are relevant to our audit of the 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 Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Trust'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 Trust or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 Trust'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 Trust'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 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 Trust to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the 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.

Chartered Professional Accountants

Charlottetown, PE
September 11, 2023

Island Nature Trust

Statement of Financial Position

As at March 31, 2023, with comparative figures for 2022

	2023	2022
Assets		
Current assets:		
Cash and cash equivalents	\$ 368,784	\$ 118,064
Accounts receivable (note 4)	186,184	631,447
Prepays	19,000	9,816
Trade land	10,768	-
	584,736	759,327
Stewardship Fund (note 5)	733,870	417,323
Endowment Fund (note 6)	555,884	569,711
Conservation lands	12,642,528	8,800,385
Tangible capital assets (note 7)	64,469	73,622
	\$ 14,581,487	\$ 10,620,368
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 32,693	\$ 22,771
Current portion of deferred revenue	288,922	395,664
	321,615	418,435
Long-term portion of deferred revenue	-	1,000
Long-term debt (note 8)	-	60,000
Net assets:		
Net assets invested in conservation lands	12,642,528	8,800,385
Net assets internally restricted for land acquisition	31,879	21,292
Net assets restricted for Stewardship Fund	733,870	417,323
Net assets restricted for Endowment Fund	524,005	548,419
Unrestricted net assets	327,590	353,514
	14,259,872	10,140,933
	\$ 14,581,487	\$ 10,620,368

Commitments (note 10)

On Behalf of the Board

Director

Director

The accompanying notes are an integral part of these financial statements.

Island Nature Trust

Statement of Operations

For the Year Ended March 31, 2023, with comparative figures for 2022

	2023	2022
Revenue		
Contribution agreements (note 9)	\$ 1,279,009	\$ 1,034,410
Donations and memberships	370,047	252,660
Grants	279,775	149,180
Investment income	32,147	31,105
Corporate sponsorship	24,680	18,752
Fundraising events and activities	12,475	24,659
	1,998,133	1,510,766
Expenses		
Administrative and fundraising		
Advertising and meetings	57,052	27,688
Depreciation	30,039	151
Office	47,659	44,405
Professional fees	19,936	15,263
Rent	43,244	32,663
Wages and employee benefits	269,936	174,087
	467,866	294,257
Programs		
Land securement	289,510	206,567
Land stewardship	455,384	282,395
Species at risk	464,409	363,194
	1,677,169	1,146,413
Excess revenues over expenditures	320,964	364,353
Transfer to invested in conservation lands	1,376	(2,616)
Transfer to restricted for Endowment Fund	(12,266)	(18,400)
Transfer to restricted for Stewardship Fund	(335,998)	(112,542)
Net change in operating unrestricted surplus	(25,924)	230,795
Operating unrestricted surplus, beginning of year	353,514	122,719
Operating unrestricted surplus, end of year	\$ 327,590	\$ 353,514

The accompanying notes are an integral part of these financial statements.

Island Nature Trust

Statement of Changes in Net Assets

For the Year Ended March 31, 2023, with comparative figures for 2022

	Invested in conservation lands	Internally restricted for land acquisition	Restricted for Stewardship Fund	Restricted for Endowment Fund	Unrestricted net assets	2023	2022
Balance, beginning of year	\$ 8,800,385	\$ 21,292	\$ 417,323	\$ 548,419	\$ 353,514	\$ 10,140,933	\$ 7,409,830
Endowment contributions				6,755		6,755	8,029
Stewardship contributions			334,695		(328,602)	6,093	50,528
Change in unrealized (loss)			(25,544)	(32,848)		(58,392)	54,381
Net investment income			12,655	18,647	(31,302)	-	-
Investment fees			(5,259)	(6,381)	11,640	-	-
Cash in-lieu of shares						-	95
Land purchased	2,400,719	(2,400,719)			-	-	(2,616)
Land donations	1,492,800					1,492,800	449,500
Land sold	(51,376)				1,376	(50,000)	-
Grants restricted for land purchase		2,400,719				2,400,719	1,806,833
Excess revenues over expenditures					320,964	320,964	364,353
Transfer		10,587		(10,587)		-	-
Balance, end of year	\$ 12,642,528	\$ 31,879	\$ 733,870	\$ 524,005	\$ 327,590	\$ 14,259,872	\$ 10,140,933

The accompanying notes are an integral part of these financial statements.

Island Nature Trust

Statement of Cash Flows

For the Year Ended March 31, 2023, with comparative figures for 2022

(Unaudited)

	2023	2022
Cash flows from operating activities:		
Excess revenues over expenditures	\$ 320,964	\$ 364,353
CEBA loan forgiveness portion	(20,000)	-
Change in non-cash working capital	287,868	(352,001)
Land acquisition fund	2,400,719	1,804,217
Purchase of land and tangible capital assets	(2,421,606)	(1,883,127)
	567,945	(66,558)
Cash flows from investing activities:		
Proceeds from sale of land and tangible capital assets	51,376	-
Purchase of marketable securities	(334,694)	(158,919)
Purchase of investments	(6,755)	(8,029)
Receipt from Endowment Fund contribution	6,755	8,029
Receipt from Stewardship Fund contribution	6,093	50,528
	(277,225)	(108,391)
Cash flows from financing activities:		
Repayment of long-term debt	(40,000)	-
Net increase (decrease) in cash and cash equivalents	250,720	(174,949)
Cash and cash equivalents, beginning of year	118,064	293,013
Cash and cash equivalents, end of year	\$ 368,784	\$ 118,064

The accompanying notes are an integral part of these financial statements.

Island Nature Trust

Notes to the Financial Statements

For the Year Ended March 31, 2023, with comparative figures for 2022

Island Nature Trust is an not-for-profit organization dedicated to protection and management of natural areas on Prince Edward Island (Canada). Its purpose is to acquire lands to be held in trust for future generations, manage these lands as an example of appropriate and sustained use, and help private owners voluntarily protect their lands. The Trust is a registered charity as defined under the Income Tax Act.

1. Significant accounting policies:

a) Basis of presentation:

The financial statements of the organization are prepared, in all material respects, in accordance with Canadian Accounting Standards for Not-for-Profit Organizations.

b) Revenue recognition:

The Trust follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Restricted contributions for the purchase of land are recorded as a direct increase in net assets invested in conservation land. Revenue received in the form of grants or funding commitments is recognized as expenses incurred. Any funding that is not recognized as earned in the current year is recorded as deferred revenue.

c) Financial instruments:

The Trust's financial instruments consist of cash and cash equivalents, accounts receivable, investments and accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Trust is not exposed to significant interest, currency, or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values, unless otherwise noted. The Trust's accounting policy for investments are:

Held-to-maturity:

This category comprises of non-derivative financial assets with fixed or determinable payments and fixed maturity that a trust has the positive intention and ability to hold to maturity. They are carried in the statement of financial position at cost. Transaction costs related to instruments classified as held-to-maturity are expensed as incurred.

Available-for-sale investments:

Non-derivative financial assets not included in the above categories are classified as available-for-sale and comprise certain investments in equity instruments, including the organization's investments in private companies. When they have a quoted market price in an active market, they are carried at fair value with changes in fair value recognized as a separate component of other comprehensive income. When they do not have a quoted market price in an active market, they are carried at cost. Where a decline in the fair value is determined to be other than temporary, the amount of the loss is removed from comprehensive income and recognized in the statement of operations. Transaction costs related to available-for-sale investments are expensed as incurred.

Island Nature Trust

Notes to the Financial Statements

For the Year Ended March 31, 2023, with comparative figures for 2022

1. Significant accounting policies: (continued)

d) Use of estimates:

The preparation of financial statements in accordance with Canadian Accounting Standards for Not-for-Profit Organizations, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of the revenues and expense during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

e) Trade land:

Contributed inventory land is recorded at fair market value when title is transferred and includes legal fee. The fair market value of contributed inventory land is based on an appraisal at the time of donation.

f) Tangible capital assets:

Tangible capital assets are stated at cost less government assistance. Amortization is provided using the diminishing balance basis at the following annual rates:

Asset	Rate
Paving	8%
Land improvement	20%
Office equipment	20%
Motor vehicles	30%
Computer equipment	55%

g) Conservation lands and easements:

Purchased conservation land is recorded at cost when title is transferred and includes legal and surveying fees. Contributed conservation land is recorded at fair market value when title is transferred. The contributed land is recorded as a direct increase in net assets invested in conservation land. The fair market value of contributed conservation land is based on an appraisal at the time of donation.

h) Volunteers and donated goods:

The organization benefits from a substantial number of volunteer hours. However, due to the difficulty in determining fair value, volunteer hours are not recognized in wages or in net assets. Donated goods, such as land, are recorded at their fair market value.

Island Nature Trust

Notes to the Financial Statements

For the Year Ended March 31, 2023, with comparative figures for 2022

2. Financial instruments and capital management:

The estimated fair values of financial instruments are intended to approximate values at which these instruments could be exchanged in a current market.

No fair values have been determined for any other assets or liability that is not a financial instrument. The fair values of cash and cash equivalents, accounts receivables, accounts payables and accrued liabilities are assumed to approximate their carrying values due to the short term nature of these financial instruments.

Credit risk

Credit risk is the risk of an unexpected loss if a funder or counterparty to a financial instrument fails to meet its contractual obligations. The Trust's financial instruments that are exposed to credit risk include accounts receivables. The Trust generally considers the credit quality of its financial assets that are neither past due nor impaired to be solid. The Trust updates its estimates of allowance for doubtful accounts based on customer history.

Interest rate risk

Interest rate risk is the potential for financial loss arising from changes in interest rates. Financial instruments that potentially subject the Trust to interest rate risk include financial liabilities with floating interest rates. The Trust currently has a line of credit and a demand note which are exposed to interest rate risk due to floating rates.

Liquidity risk

Liquidity risk is the risk that the Trust may not have cash available to satisfy financial liabilities as they come due. The Trust activity maintains a committed credit facility to ensure that it has sufficient available funds to meet current and foreseeable future financial requirements at a reasonable cost.

Capital management

In managing capital, the Trust focuses on liquid resources available for operations. The Trust's objective is to have sufficient liquid resources to continue operating and to provide it with the flexibility to take advantage of opportunities that will advance its purposes. The need for sufficient liquid resources is considered in the preparation of an annual budget and in the monitoring of cash flows and actual operating results compared to the budget.

Foreign exchange risk

Foreign exchange risk is the risk that exists when a financial transaction is denominated in a currency other than the domestic currency of the Trust. The Trust's exposure to foreign currency risk is limited to investments in foreign securities.

Island Nature Trust

Notes to the Financial Statements

For the Year Ended March 31, 2023, with comparative figures for 2022

3. Cash and cash equivalents:

Cash and cash equivalents included with this balance is an unrestricted fund of \$ 368,784 (2022 - \$ 118,064). The Trust has an operating line of credit of \$ 15,000, of which Nil was used at March 31, 2023.

4. Accounts receivable:

Accounts receivable consist of the following:

	2023	2022
Contract revenue	\$ 123,525	\$ 557,055
HST receivable	62,659	74,392
	\$ 186,184	\$ 631,447

5. Stewardship Fund:

	2023	2022
Available for sale, investments at market value	\$ 279,148	\$ 144,853
Held to maturity, investments at cost	261,000	140,900
Cash	193,722	131,570
	\$ 733,870	\$ 417,323

The cost and fair market value are presented below:

	March 31, 2023		March 31, 2022	
	Cost	Market value	Cost	Market value
Held to maturity - investments				
Deposits and Guaranteed investments certificates measured at amortized cost	\$ 261,000	\$ 266,476	\$ 140,900	\$ 141,748
Available for sale - investments				
Equities - Canadian Common Stock	247,137	250,018	111,980	134,345
Equities - US Common Stock	26,961	23,547	7,862	10,508
Equities - Mutual Funds	5,583	5,583	-	-
	\$ 279,681	\$ 279,148	\$ 119,842	\$ 144,853

The held to maturity investments will mature in the following fiscal years: 2024 - \$ 113,000; 2025 - \$ 54,000; and 2026 - \$ 94,000.

Island Nature Trust

Notes to the Financial Statements

For the Year Ended March 31, 2023, with comparative figures for 2022

6. Endowment Fund:

	2023	2022
Available for sale, investments at market value	\$ 293,402	\$ 301,201
Held to maturity, investments at cost	255,900	258,900
Cash	6,582	9,610
	\$ 555,884	\$ 569,711

The cost and fair market value are presented below:

	March 31, 2023		March 31, 2022	
	Cost	Market value	Cost	Market value
Held to maturity - investments				
Deposits and Guaranteed investments certificates measured at amortized cost	\$ 255,900	\$ 256,656	\$ 258,900	\$ 259,674
Available for sale - investments				
Equities - Canadian Common Stock	111,315	211,227	111,315	234,191
Equities - US Common Stock	33,641	57,127	33,641	67,010
Equities - Mutual Funds	25,048	25,048	-	-
	\$ 170,004	\$ 293,402	\$ 144,956	\$ 301,201

The held to maturity investments will mature in the following fiscal years: 2024 - \$ 53,000; 2025 - \$ 59,900; 2026 - \$ 19,000; 2027 - \$ 74,000 and 2028 - \$ 50,000.

Island Nature Trust

Notes to the Financial Statements

For the Year Ended March 31, 2023, with comparative figures for 2022

7. Tangible capital assets:

	Cost	Accumulated Amortization	2023 Net Book Value	2022 Net Book Value
Paving	\$ 12,513	\$ 3,159	\$ 9,354	\$ 10,167
Land improvements	16,459	4,609	11,850	14,813
Office equipment	2,297	1,863	434	542
Motor vehicle	28,439	11,518	16,921	24,173
Computer equipment	58,043	32,133	25,910	23,927
	\$ 117,751	\$ 53,283	\$ 64,469	\$ 73,622

8. Long-term debt:

	2023	2022
Provincial Credit Union loan under Canada Emergency Business Account, 0% interest, repaid during the year.	\$ -	\$ 60,000

9. Contribution agreements:

Contribution agreements consist of the following:

	2023	2022
Environment and Climate Change Canada	\$ 591,291	\$ 483,132
Government of PEI	450,890	381,773
Mi'kmaq Confederacy of PEI	164,460	82,017
Piping Plover Project	39,950	18,810
Wildlife Conservation Fund	24,780	44,861
Other	7,638	23,817
	\$ 1,279,009	\$ 1,034,410

In addition to above, Environment and Climate Change Canada and the Island Nature Trust executed a separate contribution agreement where the Island Nature Trust received \$ 263,000 (2022 - \$263,000) in the year of which \$ 175,334 (2022 - \$175,334) was forwarded to Nova Scotia Nature Trust and Nature Trust of New Brunswick. This \$ 175,334 (2022 - \$175,334) was presented on the net basis since the Island Nature Trust was acting as an agent. \$ 19,000 (2022 - \$73,900) was reflected to increase net assets directly for land acquisition. The remaining \$ 68,666 (2022 - \$13,766) was reflected as contribution agreements revenue and was used for the project work.

Island Nature Trust

Notes to the Financial Statements

For the Year Ended March 31, 2023, with comparative figures for 2022

10. Commitments:

Land acquisition partnership

In 2022 fiscal year, Island Nature Trust (the Trust) and Epekwitk Assembly of Councils Inc. (EAC) have entered an agreement to work together to acquire natural areas. Land Securement (a fee simple purchase by the Trust of real property) Properties are anticipated to be conveyed to EAC. During the year, the Trust purchased and holds title to four parcels of land at total value of \$ 402,350 under the partnership. At the end of 2023 fiscal year, the Trust holds title to eight parcels of land at total value of \$ 986,501 under the partnership. Properties will be transferred to EAC after the year-end, but the date is unknown.

Office equipment, office space and motor vehicle

The Trust has entered into agreements to lease office equipment, office space and motor vehicle. Minimum rent payable for the next two years on these leases are as follows:

2024	\$	49,684
2025		11,658
