

**Island Nature Trust
Financial Statements**

For the Year Ended March 31, 2024

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, 2024, and the statement of operations, the statement of changes 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, 2024 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, 2024 and 2023, current assets as at March 31, 2024 and 2023 and net assets as at April 1 and March 31 for both the 2024 and 2023 years. The audit opinion on the financial statements for the year ended March 31, 2024, 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 12, 2024

Island Nature Trust

Statement of Financial Position

As at March 31, 2024, with comparative figures for 2023

	2024	2023	
Assets			
Current assets:			
Cash and cash equivalents	\$ 34,905	\$ 368,784	
Accounts receivable (Note 4)	658,865	186,184	
Prepays	7,761	19,000	
Trade land	-	10,768	
	701,531	584,736	
Stewardship Fund (Note 5)	836,236	733,870	
Endowment Fund (Note 6)	699,308	555,884	
Conservation lands	17,709,105	12,642,528	
Tangible capital assets (Note 7)	60,739	64,469	
	\$ 20,006,919	\$ 14,581,487	
Liabilities and Net Assets			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 173,293	\$ 32,693	
Current portion of deferred revenue	90,608	288,922	
	263,901	321,615	
Net assets:			
Net assets invested in conservation lands	17,709,105	12,642,528	
Net assets internally restricted for land acquisition	31,879	31,879	
Net assets restricted for Stewardship Fund	836,236	733,870	
Net assets restricted for Endowment Fund	667,429	524,005	
Unrestricted net assets	498,369	327,590	
	19,743,018	14,259,872	
	\$ 20,006,919	\$ 14,581,487	
Commitments (Note 9)			
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, 2024, with comparative figures for 2023

	2024	2023
Revenue:		
Contribution agreements (Note 8)	\$ 1,322,914	\$ 1,279,009
Donations and memberships	287,923	370,047
Grants	264,067	279,775
Investment income	47,949	32,147
Corporate sponsorship	28,537	24,680
Fundraising events and activities	7,988	12,475
	1,959,378	1,998,133
Expenses:		
Administrative and fundraising:		
Advertising and meetings	23,436	57,052
Depreciation	25,585	30,039
Office	45,862	47,659
Professional fees	23,357	19,936
Rent	42,051	43,244
Wages and employee benefits	152,799	269,936
	313,090	467,866
Programs:		
Land securement	451,049	289,510
Land stewardship	557,096	455,384
Species at risk	433,469	464,409
	1,754,704	1,677,169
Excess revenues over expenditures	204,674	320,964
Transfer to invested in conservation lands	-	1,376
Transfer to restricted for Endowment Fund	(15,615)	(12,266)
Transfer to restricted for Stewardship Fund	(18,280)	(335,998)
Net change in operating unrestricted surplus	170,779	(25,924)
Operating unrestricted surplus, beginning of year	327,590	353,514
Operating unrestricted surplus, end of year	\$ 498,369	\$ 327,590

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, 2024, with comparative figures for 2023

	Invested in conservation lands	Internally restricted for land acquisition	Restricted for Stewardship Fund	Restricted for Endowment Fund	Unrestricted net assets	2024	2023
Balance, beginning of year	\$ 12,642,528	\$ 31,879	\$ 733,870	\$ 524,005	\$ 327,590	\$ 14,259,872	\$ 10,140,933
Endowment contributions				100,000		100,000	6,755
Stewardship contributions			64,582			64,582	6,093
Change in unrealized gain (loss)			19,504	27,809		47,313	(58,392)
Net investment income			25,410	22,106	(47,516)	-	-
Investment fees			(7,130)	(6,491)	13,621	-	-
Land purchased	3,126,052	(3,126,052)				-	-
Land donations	1,940,525					1,940,525	1,492,800
Land sold						-	(50,000)
Grants restricted for land purchase		3,126,052				3,126,052	2,400,719
Excess revenues over expenditures					204,674	204,674	320,964
Balance, end of year	\$ 17,709,105	\$ 31,879	\$ 836,236	\$ 667,429	\$ 498,369	\$ 19,743,018	\$ 14,259,872

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

Island Nature Trust

Statement of Cash Flows

For the Year Ended March 31, 2024, with comparative figures for 2023

	2024	2023
Cash flows from operating activities:		
Excess revenues over expenditures	\$ 204,674	\$ 320,964
CEBA loan forgiveness portion	-	(20,000)
Change in non-cash working capital	(516,698)	287,868
Land acquisition fund	3,126,052	2,400,719
Purchase of land and tangible capital assets	(3,147,907)	(2,421,606)
	(333,879)	567,945
Cash flows from investing activities:		
Proceeds from sale of land and tangible capital assets	-	51,376
Purchase of marketable securities	(64,582)	(334,694)
Purchase of investments	(100,000)	(6,755)
Receipt from Endowment Fund contribution	100,000	6,755
Receipt from Stewardship Fund contribution	64,582	6,093
	-	(277,225)
Cash flows from financing activities:		
Repayment of long-term debt	-	(40,000)
Net (decrease) increase in cash and cash equivalents	(333,879)	250,720
Cash and cash equivalents, beginning of year	368,784	118,064
Cash and cash equivalents, end of year	\$ 34,905	\$ 368,784

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, 2024, with comparative figures for 2023

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 Trust 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 category are classified as available-for-sale and comprise certain investments in equity instruments, including the Trust'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, 2024, with comparative figures for 2023

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 expenses 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 the title is transferred and includes legal fees. 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 Trust 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, 2024, with comparative figures for 2023

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 receivable, and accounts payable 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 receivable. 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 funder 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, 2024, with comparative figures for 2023

3. Cash and cash equivalents:

Cash and cash equivalents included with this balance is an unrestricted fund of \$ 34,905 (2023 - \$ 368,784). The Trust has an operating line of credit of \$ 15,000, of which \$ Nil was used at March 31, 2024.

4. Accounts receivable:

Accounts receivable consist of the following:

	2024	2023
Contract revenue	\$ 457,792	\$ 123,525
HST receivable	201,073	62,659
	\$ 658,865	\$ 186,184

5. Stewardship Fund:

	2024	2023
Available for sale, investments at market value	\$ 402,192	\$ 279,148
Held to maturity, investments at cost	372,000	261,000
Cash	62,044	193,722
	\$ 836,236	\$ 733,870

The cost and fair market value are presented below:

	March 31, 2024		March 31, 2023	
	Cost	Market value	Cost	Market value
Held to maturity - investments				
Deposits and Guaranteed investment certificates measured at amortized cost	\$ 372,000	\$ 380,245	\$ 261,000	\$ 266,476
Available for sale - investments				
Equities - Canadian Common Stock	284,022	298,576	247,137	250,018
Equities - US Common Stock	72,238	74,076	26,961	23,547
Equities - Mutual Funds	26,961	29,540	5,583	5,583
	\$ 383,221	\$ 402,192	\$ 279,681	\$ 279,148

The held to maturity investments will mature as follows in the following fiscal years: 2025 - \$ 54,000; 2026 - \$ 94,000; 2027 - \$ 40,000; 2028 - \$ 94,000; and 2029 - \$ 90,000.

Island Nature Trust

Notes to the Financial Statements

For the Year Ended March 31, 2024, with comparative figures for 2023

6. Endowment Fund:

	2024	2023
Available for sale, investments at market value	\$ 376,161	\$ 293,402
Held to maturity, investments at cost	322,900	255,900
Cash	247	6,582
	\$ 699,308	\$ 555,884

The cost and fair market value are presented below:

	March 31, 2024		March 31, 2023	
	Cost	Market value	Cost	Market value
Held to maturity - investments				
Deposits and Guaranteed investments certificates measured at amortized cost	\$ 322,900	\$ 324,023	\$ 255,900	\$ 256,656
Available for sale - investments				
Equities - Canadian Common Stock	111,315	228,917	111,315	211,227
Equities - US Common Stock	79,998	81,468	33,641	57,127
Equities - Mutual Funds	33,641	65,776	25,048	25,048
	\$ 224,954	\$ 376,161	\$ 170,004	\$ 293,402

The held to maturity investments will mature as follows in the following fiscal years: 2025 - \$ 79,900; 2026 - \$ 39,000; 2027 - \$ 94,000; 2028 - \$ 50,000; and 2029 - \$ 60,000.

7. Tangible capital assets:

	2024		2023	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Paving	\$ 12,513	\$ 3,907	\$ 8,606	\$ 9,354
Land improvements	33,350	8,668	24,683	11,850
Office equipment	2,297	1,950	347	434
Motor vehicle	28,439	16,594	11,845	16,921
Computer equipment	63,007	47,748	15,258	25,910
	\$ 139,606	\$ 78,867	\$ 60,739	\$ 64,469

Island Nature Trust

Notes to the Financial Statements

For the Year Ended March 31, 2024, with comparative figures for 2023

8. Contribution agreements:

Contribution agreements consist of the following:

	2024	2023
Environment and Climate Change Canada	\$ 602,715	\$ 591,291
Government of PEI	420,275	450,890
Mi'kmaq Confederacy of PEI	212,636	164,460
Other	40,422	7,638
Piping Plover Project	27,266	39,950
Wildlife Conservation Fund	19,600	24,780
	\$ 1,322,914	\$ 1,279,009

9. Commitments:

Land acquisition partnership

In the 2022 fiscal year, Island Nature Trust ("the Trust") and Mi'kmaq Confederacy of PEI ("MCPEI") entered an agreement to work together to create protected areas. Land Securement (a fee simple purchase of real property by the Trust) Properties are anticipated to be conveyed to MCPEI. During the year, the Trust purchased and received donations of two pieces of lands with a total value of \$ 3,675,209 under the partnership. At the end of the 2024 fiscal year, the Trust holds ten pieces of lands with a total value of \$ 4,661,710 under the partnership. Properties are anticipated to be transferred to MCPEI 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 three years on these leases are as follows:

2025	\$	51,167
2026	\$	44,884
2027	\$	46,819
2028	\$	5,593
2029	\$	1,830