

ISLAND NATURE TRUST
Financial Statements
March 31, 2025

ISLAND NATURE TRUST
Index to Financial Statements
March 31, 2025

	Page
INDEPENDENT AUDITOR'S REPORT	1 - 2
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Changes in Net Assets	4
Statement of Operations	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 13

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, 2025, and the statements of changes in net assets, operations and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Trust as at March 31, 2025, and the results of its operations and 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 not-for-profit organizations, the Trust derives revenue from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Trust. Therefore, we were not able to determine whether any adjustments might be necessary to revenue, excess of revenues over expenses, and cash flows from operations for the year ended March 31, 2025, current assets and net assets as at March 31, 2025. The predecessor auditor's opinion on the financial statements for the year ended March 31, 2024 was modified accordingly because of the possible effects of this 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 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 audit opinion.

Other Matter

The financial statements for the year ended March 31, 2024 were audited by another auditor who expressed a qualified opinion on those financial statements on September 12, 2024 for the reasons described in the *Basis for Qualified Opinion* section.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with ASNPO, 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.

(continues)

Independent Auditor's Report to the To the Board of Island Nature Trust *(continued)*

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.

MRSB Chartered Professional Accountants Inc

MRSB CHARTERED PROFESSIONAL ACCOUNTANTS INC.

Charlottetown, PE

September 23, 2025

ISLAND NATURE TRUST
Statement of Financial Position
March 31, 2025

	2025	2024
ASSETS		
Current		
Cash	\$ 138,842	\$ 34,905
Accounts receivable (Note 4)	410,279	658,865
Prepaid expense	13,054	7,761
	<u>562,175</u>	<u>701,531</u>
Tangible capital assets (Note 5)	76,810	60,739
Stewardship fund (Note 6)	1,042,362	836,236
Endowment fund (Note 7)	894,755	699,308
Conservation lands	14,425,381	13,047,394
Conservation lands held for partners (Note 9)	4,680,303	4,661,710
	<u>\$ 21,681,786</u>	<u>\$ 20,006,918</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 36,952	\$ 173,292
Deferred revenue	57,253	90,608
	<u>94,205</u>	<u>263,900</u>
Commitments (Note 9)		
NET ASSETS		
Invested in conservation lands (Statement 4)	19,105,684	17,709,104
Internally restricted for land acquisition (Statement 4)	47,349	31,879
Restricted for Stewardship Fund (Statement 4)	1,042,362	836,236
Restricted for Endowment Fund (Statement 4)	847,406	667,429
Unrestricted net assets (Statement 4)	544,780	498,370
	<u>21,587,581</u>	<u>19,743,018</u>
	<u>\$ 21,681,786</u>	<u>\$ 20,006,918</u>

On behalf of the Board

_____ Director

_____ Director

Notes 1 - 13 are an integral part of these financial statements

ISLAND NATURE TRUST
Statement of Changes in Net Assets
Year Ended March 31, 2025

	Invested in conservation lands	Internally restricted for land acquisition	Restricted for Stewardship Fund	Restricted for Endowment Fund	Unrestricted net assets	2025	2024
Balance - beginning of year	\$ 17,709,104	\$ 31,879	\$ 836,236	\$ 667,429	\$ 498,370	\$ 19,743,018	\$ 14,259,872
Excess of revenues over expenditures (Statement 5)	-	-	-	-	220,643	220,643	204,674
Endowment contributions	-	-	-	137,610	(1,850)	135,760	100,000
Stewardship contributions	-	-	155,538	-	(67,982)	87,556	64,582
Change in unrealized gain	-	-	24,798	36,974	(61,772)	-	47,313
Net investment	-	-	35,170	29,121	(64,291)	-	-
Investment fees	-	-	(9,380)	(8,258)	17,638	-	-
Lands purchased	1,362,604	(1,362,604)	-	-	-	-	-
Land donations	38,000	-	-	-	-	38,000	1,940,525
Restricted for land purchases	-	1,362,604	-	-	-	1,362,604	3,126,052
Transfers	(4,024)	15,470	-	(15,470)	4,024	-	-
Balance - end of year	\$ 19,105,684	\$ 47,349	\$ 1,042,362	\$ 847,406	\$ 544,780	\$ 21,587,581	\$ 19,743,018

Notes 1 - 13 are an integral part of these financial statements

ISLAND NATURE TRUST
Statement of Operations
Year Ended March 31, 2025

	2025	2024
Revenues		
Contribution agreements (Note 10)	\$ 958,561	\$ 951,400
Grants	309,218	697,409
Investment	129,013	47,949
Donations and memberships	93,536	98,703
Fee for service	69,550	126,266
Corporate sponsorship	18,400	28,537
Fundraising events and activities	3,953	9,114
	<u>1,582,231</u>	<u>1,959,378</u>
Expenditures		
Administrative and fundraising:		
Advertising	635	23,436
Amortization of tangible capital assets	25,371	25,585
Office	42,525	45,864
Professional fees	72,972	23,357
Rent	42,782	42,051
Wages and wage levies	90,320	152,797
	<u>274,605</u>	<u>313,090</u>
Programs:		
Land Securement	279,125	451,049
Land Stewardship	228,217	557,096
Species-at-risk	579,641	433,469
	<u>1,086,983</u>	<u>1,441,614</u>
	<u>1,361,588</u>	<u>1,754,704</u>
Excess of revenues over expenditures	<u>\$ 220,643</u>	<u>\$ 204,674</u>

Notes 1 - 13 are an integral part of these financial statements

ISLAND NATURE TRUST
Statement of Cash Flows
Year Ended March 31, 2025

	2025	2024
Cash flows from operating activities		
Excess of revenues over expenditures	\$ 220,643	\$ 204,674
Item not affecting cash:		
Amortization of property and equipment	25,371	25,585
	<u>246,014</u>	<u>230,259</u>
Changes in non-cash working capital:		
Accounts receivable	248,586	(472,681)
Trade lands	-	10,768
Prepaid expense	(5,293)	11,239
Accounts payable and accrued liabilities	(136,340)	140,600
Deferred revenue	(33,355)	(198,314)
	<u>73,598</u>	<u>(508,388)</u>
	<u>319,612</u>	<u>(278,129)</u>
Cash flows from investing activities		
Purchase of tangible capital assets	(41,442)	(21,855)
Transfer from invested in conservation lands	4,024	-
Transfer to restricted for Endowment Fund	(59,687)	(15,615)
Transfer to restricted for Stewardship Fund	(118,570)	(18,280)
	<u>(215,675)</u>	<u>(55,750)</u>
Increase (decrease) in cash	103,937	(333,879)
Cash - beginning of year	34,905	368,784
Cash - end of year	\$ 138,842	\$ 34,905

Notes 1 - 13 are an integral part of these financial statements

ISLAND NATURE TRUST
Notes to Financial Statements
Year Ended March 31, 2025

1. PURPOSE OF THE TRUST

Island Nature Trust (the "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.

2. BASIS OF PRESENTATION

The financial statements were prepared in accordance with Canadian Accounting Standards for Not-for-Profit Organizations (ASNPO).

3. SIGNIFICANT ACCOUNTING POLICIES

Cash

Cash is comprised of cash on hand and cash in banks.

Accounts receivable

Accounts receivable arise from contract revenues receivable and Harmonized Sales Tax receivable. An allowance for bad debts has been calculated through discussions with management, assessment of the other circumstances influencing the collectibility of amounts, and using historical loss experience. Amounts deemed uncollectible are written off and deducted from the carrying value of the receivable. Amounts subsequently recovered from accounts previously written off are credited to the allowance account in the period of recovery.

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.

Tangible capital assets

Tangible capital assets are stated at cost less accumulated amortization and are amortized over their estimated useful lives on a declining balance basis at the following rates:

Paving	8%
Land improvements	20%
Office equipment	20%
Motor vehicle	30%
Computer equipment	55%

One-half of the annual rate is recorded in the year of acquisition; no amortization is recorded in the year of disposal.

Government assistance

Government grants are recorded when there is a reasonable assurance that the Trust had complied with and will continue to comply with, all the necessary conditions to obtain the grants. Included in grants revenue is \$31,423 (\$30,165) from Skills PEI and \$12,850 (\$Nil) from Government of Canada for wage subsidies. Government funding related to contribution agreements are detailed in Note 10.

(continues)

ISLAND NATURE TRUST
Notes to Financial Statements
Year Ended March 31, 2025

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments

Investments for which there are quoted prices in an active market are carried at fair value. Unrealized gains or losses are reported as part of excess of revenues and expenditures. Investments for which there is not an active market are carried at amortized cost except when it is established that their value is impaired. Impairment losses, or reversal of previously recognized impairment losses, are reported as part of the statement of operations.

The Trust's investments are categorized as follows:

Held-to-maturity:

This category comprises of non-derivative financial assets with fixed or determinable payments and fixed maturity that the 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:

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.

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.

Revenue recognition

Interest revenue is recognized on a time proportionate basis.

Dividend revenue is recognized when the shareholder's right to receive payment is established.

The Trust follows the deferral method of accounting for revenues. 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.

(continues)

ISLAND NATURE TRUST
Notes to Financial Statements
Year Ended March 31, 2025

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

The Trust initially measures its financial assets and financial liabilities at fair value, except for certain related party transactions that are measured at the carrying amount or exchange amount, as appropriate.

The Trust subsequently measures all of its financial assets and financial liabilities at cost or amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value of these financial instruments are recognized in the statement of operations.

Financial assets measured at amortized cost on a straight-line basis include cash and accounts receivable.

Financial assets measured at fair value include quoted shares.

Financial liabilities measured at amortized cost on a straight-line basis include accounts payable and accrued liabilities.

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.

Measurement uncertainty

When preparing financial statements according to Canadian ASNPO, management makes estimates and assumptions relating to:

- reported amounts of revenues and expenditures
- reported amounts of assets and liabilities
- disclosure of contingent assets and liabilities.

Estimates are based on a number of factors including historical experience, current events and actions that the Trust may undertake in the future, and other assumptions that management believes are reasonable under the circumstances. By their nature, these estimates are subject to measurement uncertainty and actual results could differ. In particular, estimates are used in accounting for certain items such as revenues, allowance for doubtful accounts, useful lives of tangible capital assets, asset impairments, and legal and tax contingencies.

4. ACCOUNTS RECEIVABLE

	<u>2025</u>	<u>2024</u>
Contract revenue	\$ 396,554	\$ 658,735
HST receivable	13,725	130
	<u>\$ 410,279</u>	<u>\$ 658,865</u>

ISLAND NATURE TRUST
Notes to Financial Statements
Year Ended March 31, 2025

5. TANGIBLE CAPITAL ASSETS

	Cost	Accumulated amortization	2025 Net book value	2024 Net book value
Paving	\$ 21,651	\$ 4,961	\$ 16,690	\$ 8,606
Land improvements	33,350	13,604	19,746	24,682
Office equipment	10,960	2,886	8,074	347
Motor vehicle	28,439	20,147	8,292	11,845
Computer equipment	86,648	62,640	24,008	15,259
	<u>\$ 181,048</u>	<u>\$ 104,238</u>	<u>\$ 76,810</u>	<u>\$ 60,739</u>

6. STEWARDSHIP FUND

	2025	2024
Available-for-sale, investments at market value (Note 8)	\$ 527,983	\$ 402,192
Held-to-maturity, investments at cost (Note 8)	418,000	372,000
Cash	96,379	62,044
	<u>\$ 1,042,362</u>	<u>\$ 836,236</u>

7. ENDOWMENT FUND

	2025	2024
Available-for-sale, investments at market value (Note 8)	\$ 641,852	\$ 376,161
Held-to-maturity, investments at cost (Note 8)	243,000	322,900
Cash	9,903	247
	<u>\$ 894,755</u>	<u>\$ 699,308</u>

ISLAND NATURE TRUST
Notes to Financial Statements
Year Ended March 31, 2025

8. INVESTMENTS

	2025		2024	
	Cost	Market value	Cost	Market value
Stewardship Fund				
<i>Held-to-maturity</i>				
Deposits and guaranteed investment certificates measured at amortized cost	\$ 418,000	\$ 428,675	\$ 372,000	\$ 380,245
	418,000	428,675	372,000	380,245
<i>Available-for-sale</i>				
Equities - Canadian Common Stock	352,615	400,410	284,022	298,576
Equities - US Common Stock	37,119	31,224	72,238	74,076
Equities - Mutual Funds	94,433	96,349	26,961	29,540
	484,167	527,983	383,221	402,192
Endowment Fund				
<i>Held-to-maturity</i>				
Deposits and guaranteed investment certificates measured at amortized cost	243,000	243,989	322,900	324,023
	243,000	243,989	322,900	324,023
<i>Available-for-sale</i>				
Equities - Canadian Common Stock	113,743	258,623	111,315	228,917
Equities - US Common Stock	33,641	71,296	79,998	81,468
Equities - Mutual Funds	310,013	311,933	33,641	65,776
	457,397	641,852	224,954	376,161
	\$ 1,602,564	\$ 1,842,499	\$ 1,303,075	\$ 1,482,621

9. COMMITMENTS

Land acquisition partnership

In the 2022 fiscal year, Island Nature Trust ("the Trust") and Epekwitk Assembly of Councils Inc. (EAC) entered an agreement to work together to acquire natural areas. Land Securement (a fee simple purchase of real property by the Trust) properties are anticipated to be conveyed to EAC. During the year, the Trust purchased an additional parcel of land with a value of \$18,593 under the partnership. At the end of the 2025 fiscal year, the Trust holds twenty pieces of lands with a total value of \$ 4,680,303 under the partnership. Properties are anticipated to be conveyed to EAC after the year-end, with an anticipated conveyance date of November 30, 2025.

Lease commitments

The Trust has entered into a lease agreements to lease office space and a motor vehicle. The minimum lease payments due over the next three years are as follows:

2026	\$ 50,454
2027	44,989
2028	3,763

ISLAND NATURE TRUST
Notes to Financial Statements
Year Ended March 31, 2025

10. CONTRIBUTION AGREEMENTS

Contribution agreements consist of the following:

	2025	2024
Government of PEI	\$ 487,866	\$ 420,275
Environment and Climate Change Canada	470,695	531,125
	\$ 958,561	\$ 951,400

Additional funding of \$687,098 from the Government of PEI and \$355,825 from Environment and Climate Change Canada was received for the purpose of land acquisition and is recorded in net assets invested in conservation land as opposed to contribution agreements in the statement of operations.

11. CREDIT FACILITY

The Trust has a credit facility with Provincial Credit Union Ltd., which includes an approved operating line that can be drawn upon to a maximum of \$15,000, which bears interest at prime plus 4% and is unsecured. At the statement of financial position date, the amount owing, which is due on demand, was \$Nil (2024: \$Nil).

12. FINANCIAL INSTRUMENTS

The Trust's financial instruments consist of cash, investments, accounts receivable, and accounts payable and accrued liabilities.

The Trust is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the Trust's risk exposure and concentration as of March 31, 2025.

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.

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.

Currency risk

Currency 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.

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.

ISLAND NATURE TRUST
Notes to Financial Statements
Year Ended March 31, 2025

13. COMPARATIVE FIGURES

The prior year comparative figures were audited by another firm of public accountants. Some of the comparative figures have been reclassified to conform to the current year's presentation.