

**Island Nature Trust  
Financial Statements**

**For the Year Ended March 31, 2022**

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, 2022 and the statements of operations, the statement of change in net financial 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, 2022 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, 2022 and 2021, current assets as at March 31, 2022 and 2021 and net assets as at April 1 and March 31 for both the 2022 and 2021 years. The audit opinion on the financial statements for the year ended March 31, 2022 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 8, 2022

# Island Nature Trust

## Statement of Financial Position

As at March 31, 2022, with comparative figures for 2021

|   | 2022          | 2021         |
|---|---------------|--------------|
| <b>Assets</b>   |               |              |
| Current assets:                                       |               |              |
| Cash and cash equivalents                             | \$ 118,064    | \$ 293,013   |
| Accounts receivable (note 4)                          | 631,447       | 240,565      |
| Prepays   | 9,816         | 8,600        |
|   | 759,327       | 542,178      |
| Stewardship Fund (note 5)                             | 417,323       | 235,865      |
| Endowment Fund (note 6)                               | 569,711       | 507,195      |
| Conservation lands                                    | 8,800,385     | 6,544,052    |
| Property and equipment (note 7)                       | 73,622        | 14,308       |
|   | \$ 10,620,368 | \$ 7,843,598 |
| Current liabilities:                                  |               |              |
| Accounts payable and accrued liabilities              | \$ 22,771     | \$ 200,925   |
| Current portion of deferred revenue                   | 395,664       | 171,843      |
|   | 418,435       | 372,768      |
| Long-term portion of deferred revenue                 | 1,000         | 1,000        |
| Long-term debt (note 8)                               | 60,000        | 60,000       |
| Net assets:   |               |              |
| Net assets invested in conservation lands             | 8,800,385     | 6,544,052    |
| Net assets internally restricted for land acquisition | 21,292        | 16,256       |
| Net assets Restricted for Stewardship Fund            | 417,323       | 235,865      |
| Net assets Restricted for Endowment Fund              | 548,419       | 490,938      |
| Unrestricted net assets                               | 353,514       | 122,719      |
|   | 10,140,933    | 7,409,830    |
|   | \$ 10,620,368 | \$ 7,843,598 |

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, 2022, with comparative figures for 2021

|   | 2022         | 2021       |
|---|--------------|------------|
| Revenue   |              |            |
| Contribution agreements (note 9)                  | \$ 1,034,410 | \$ 512,481 |
| Donations and memberships                         | 252,660      | 53,961     |
| Grants  | 149,180      | 259,158    |
| Investment income                                 | 31,105       | 18,548     |
| Fundraising events and activities                 | 24,659       | 3,607      |
| Corporate sponsorship                             | 18,752       | 7,230      |
|   | 1,510,766    | 854,985    |
| Expenses  |              |            |
| Administrative and fundraising                    |              |            |
| Advertising and meetings                          | 27,688       | 5,385      |
| Depreciation                                      | 151          | 1,840      |
| Office  | 44,405       | 31,376     |
| Professional fees                                 | 15,263       | 12,123     |
| Rent  | 32,663       | 11,132     |
| Wages and employee benefits                       | 174,087      | 56,205     |
|   | 294,257      | 118,061    |
| Programs  |              |            |
| Land securement                                   | 206,567      | 76,753     |
| Land stewardship                                  | 282,395      | 91,699     |
| Species at risk                                   | 363,194      | 349,453    |
|   | 1,146,413    | 635,966    |
| Excess revenues over expenditures                 | 364,353      | 219,019    |
| Transfer to invested in conservation lands        | (2,616)      | (52,565)   |
| Transfer to Restricted for Endowment Fund         | (18,400)     | (10,206)   |
| Transfer to Restricted for Stewardship Fund       | (112,542)    | (84,068)   |
| Net change in operating unrestricted surplus      | 230,795      | 72,180     |
| Operating unrestricted surplus, beginning of year | 122,719      | 50,539     |
| Operating unrestricted surplus, end of year       | \$ 353,514   | \$ 122,719 |

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, 2022, with comparative figures for 2021

|                                     | Invested in<br>conservation<br>lands | internally<br>restricted for<br>land acquisition | Restricted for<br>Stewardship<br>Fund | Restricted for<br>Endowment<br>Fund | Unrestricted<br>net assets | 2022          | 2021         |
|-------------------------------------|--------------------------------------|--|---------------------------------------|-------------------------------------|----------------------------|---------------|--------------|
| Balance, beginning of year          | \$ 6,544,052                         | \$ 16,256  | \$ 235,865                            | \$ 490,938                          | \$ 122,719                 | \$ 7,409,830  | \$ 6,346,081 |
| Endowment contributions             |                                      |  |                                       | 8,029                               |                            | 8,029         | -            |
| Stewardship contributions           |                                      |  | 158,918                               |                                     | (108,390)                  | 50,528        | -            |
| Change in unrealized gain/(loss)    |                                      |  | 18,388                                | 35,993                              |                            | 54,381        | 74,366       |
| Excess revenues over expenditures   |                                      |  |                                       |                                     | 364,353                    | 364,353       | 989,383      |
| Net investment income               |                                      |  | 6,697                                 | 24,384                              | (31,081)                   | -             | -            |
| Land purchased                      | 1,806,833                            | (1,806,833)                                      |                                       |                                     | (2,616)                    | (2,616)       | -            |
| Land donations                      | 449,500                              |  |                                       |                                     | -                          | 449,500       | -            |
| Investment fees                     |                                      |  | (2,545)                               | (5,984)                             | 8,529                      | -             | -            |
| Cash in-lieu of shares              |                                      |  |                                       | 95                                  | -                          | 95            | -            |
| Grants restricted for land purchase |                                      | 1,806,833  |                                       |                                     |                            | 1,806,833     | -            |
| Transfer                            |                                      | 5,036  |                                       | (5,036)                             | -                          | -             | -            |
| Balance, end of year                | \$ 8,800,385                         | \$ 21,292  | \$ 417,323                            | \$ 548,419                          | \$ 353,514                 | \$ 10,140,933 | \$ 7,409,830 |

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

# Island Nature Trust

## Statement of Cash Flows

For the Year Ended March 31, 2022, with comparative figures for 2021

(Unaudited)

|  | 2022        | 2021       |
|--|-------------|------------|
| Cash flows from operating activities:                |             |            |
| Excess revenues over expenditures                    | \$ 364,353  | \$ 219,019 |
| Change in non-cash working capital                   | (330,791)   | 61,758     |
| Land acquisition fund                                | 1,819,915   | 392,930    |
| Purchase of land and property and equipment          | (1,883,127) | (447,895)  |
|  | (29,650)    | 225,812    |
| Cash flows from investing activities:                |             |            |
| Purchase of marketable securities                    | (290,585)   | (201,007)  |
| Purchase of investments                              | (126,029)   | (110,351)  |
| Proceeds from sale of investments                    | 104,368     | 50,000     |
| Receipt from Endowment Fund contribution             | 8,029       | 10,756     |
| Receipt from Stewardship Fund contribution           | 158,918     | 127,700    |
|  | (145,299)   | (122,902)  |
| Cash flows from financing activities:                |             |            |
| Proceeds from long-term debt                         | -           | 60,000     |
| Net (decrease) increase in cash and cash equivalents | (174,949)   | 162,910    |
| Cash and cash equivalents, beginning of year         | 293,013     | 130,103    |
| Cash and cash equivalents, end of year               | \$ 118,064  | \$ 293,013 |

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, 2022, with comparative figures for 2021

---

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, accounts receivable, investments, accounts payable and long-term debt. 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, 2022, with comparative figures for 2021

## 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) Property and equipment:

Property and equipment 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%  |

f) 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.

g) 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, 2022, with comparative figures for 2021

---

## 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, receivables, payables and accruals 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 customer 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 company. 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, 2022, with comparative figures for 2021

### 3. Cash and cash equivalents:

Cash and cash equivalents included with this balance is an unrestricted fund of \$ 118,064 (2021 - \$ 293,013). The Trust has an operating line of credit of \$ 15,000, of which Nil was used at March 31, 2022.

### 4. Accounts receivable:

Accounts receivable consist of the following:

|                  | 2022       | 2021       |
|------------------|------------|------------|
| Contract revenue | \$ 557,055 | \$ 233,190 |
| HST receivable   | 74,392     | 7,375      |
|                  | \$ 631,447 | \$ 240,565 |

### 5. Stewardship Fund:

|   | 2022       | 2021       |
|---|------------|------------|
| Available for sale, investments at market value | \$ 144,853 | \$ 73,646  |
| Held to maturity, investments at cost           | 140,900    | 73,300     |
| Cash  | 131,570    | 88,919     |
|   | \$ 417,323 | \$ 235,865 |

The cost and fair market value are presented below:

|   | March 31, 2022 |              | March 31, 2021 |              |
|---|----------------|--------------|----------------|--------------|
|   | Cost           | Market value | Cost           | Market value |
| <b>Held to maturity - investments</b>                                       |                |              |                |              |
| Deposits and Guaranteed investments certificates measured at amortized cost | \$ 140,900     | \$ 141,748   | \$ 73,300      | \$ 73,836    |
| <b>Available for sale - investments</b>                                     |                |              |                |              |
| Equities - Canadian Common Stock  | 111,980        | 134,345      | 62,903         | 69,110       |
| Equities - US Common Stock  | 7,862          | 10,508       | 4,120          | 4,536        |
|   | \$ 119,842     | \$ 144,853   | \$ 67,023      | \$ 73,646    |

The held to maturity investments will mature in the following fiscal years: 2023 - \$ 61,900; 2024 - \$ 74,000; 2025 - \$ Nil; and 2026 - \$ 5,000.

# Island Nature Trust

Notes to the Financial Statements

For the Year Ended March 31, 2022, with comparative figures for 2021

## 6. Endowment Fund:

|   | 2022       | 2021       |
|---|------------|------------|
| Available for sale, investments at market value | \$ 301,201 | \$ 292,403 |
| Held to maturity, investments at cost           | 258,900    | 208,800    |
| Cash  | 9,610      | 5,992      |
|   | \$ 569,711 | \$ 507,195 |

The cost and fair market value are presented below:

|   | March 31, 2022 |              | March 31, 2021 |              |
|---|----------------|--------------|----------------|--------------|
|   | Cost           | Market value | Cost           | Market value |
| <b>Held to maturity - investments</b>                                       |                |              |                |              |
| Deposits and Guaranteed investments certificates measured at amortized cost | \$ 258,900     | \$ 259,674   | \$ 208,800     | \$ 209,411   |
| <b>Available for sale - investments</b>                                     |                |              |                |              |
| Equities - Canadian Common Stock  | 111,315        | 234,191      | 116,643        | 217,936      |
| Equities - US Common Stock  | 33,641         | 67,010       | 38,602         | 57,467       |
| Equities - Mutual Funds   | -              | -            | 17,000         | 17,000       |
|   | \$ 144,956     | \$ 301,201   | \$ 172,245     | \$ 292,403   |

The held to maturity investments will mature in the following fiscal years: 2023 - \$ 53,000; 2024 - \$ 53,000; 2025 - \$ 59,900; 2026 - \$ 19,000 and 2027 - \$ 74,000.

# Island Nature Trust

Notes to the Financial Statements

For the Year Ended March 31, 2022, with comparative figures for 2021

## 7. Property and equipment:

|                    | Cost      | Accumulated Amortization | 2022 Net Book Value | 2021 Net Book Value |
|--------------------|-----------|--------------------------|---------------------|---------------------|
| Paving             | \$ 12,513 | \$ 2,346                 | \$ 10,167           | \$ 11,051           |
| Land improvements  | 16,459    | 1,646                    | 14,812              | -                   |
| Office equipment   | 2,297     | 1,755                    | 542                 | 678                 |
| Motor vehicle      | 28,439    | 4,266                    | 24,173              | -                   |
| Computer equipment | 37,156    | 13,227                   | 23,929              | 2,579               |
|                    | \$ 96,864 | \$ 23,240                | \$ 73,623           | \$ 14,308           |

## 8. Long-term debt:

|   | 2022      | 2021      |
|---|-----------|-----------|
| Provincial Credit Union loan under Canada Emergency Business Account, 0% interest. If the loan is repaid by December 31, 2023, \$ 20,000 of the entire loan will be forgiven. If the loan is not repaid by this date, it will become repayable in monthly payments of principal plus 5% interest, which are unknown at this time. The full amount of the loan is due December 31, 2025. | \$ 60,000 | \$ 60,000 |

## 9. Contribution agreements:

Contribution agreements consist of the following:

|                                       | 2022         | 2021       |
|---------------------------------------|--------------|------------|
| Environment and Climate Change Canada | \$ 561,832   | \$ 276,867 |
| Government of PEI                     | 303,073      | 153,248    |
| Mi'kmaq Confederacy of PEI            | 82,017       | -          |
| Wildlife Conservation Fund            | 44,861       | 62,817     |
| Other                                 | 23,817       | 4,714      |
| Piping Plover Project                 | 18,810       | 14,835     |
|                                       | \$ 1,034,410 | \$ 512,481 |

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 in the year of which \$ 175,334 was forwarded to Nova Scotia Nature Trust and Nature Trust of New Brunswick. This \$ 175,334 was presented on the net basis since the Island Nature Trust was acting as an agent. \$ 73,900 was reflected to increase net assets directly for land acquisition. The remaining \$ 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, 2022, with comparative figures for 2021

---

## 10. Commitments:

### Land acquisition partnership

During the 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 \$ 584,151 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 and office space. Minimum rent payable for the next three years on these leases are as follows:

---

|      |    |        |
|------|----|--------|
| 2023 | \$ | 45,583 |
| 2024 |    | 45,583 |
| 2025 |    | 10,695 |

---

## 11. Comparative figures:

Certain comparative figures have been reclassified to conform with the current year's financial statement presentation.