

**Island Nature Trust**  
**Financial Statements**

**For the Year Ended March 31, 2020**

**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, 2020 and the statements of financial activities, 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, 2020 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, 2020 and 2019, current assets as at March 31, 2020 and 2019 and net assets as at April 1 and March 31 for both the 2020 and 2019 years. The audit opinion on the financial statements for the year ended March 31, 2019 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.

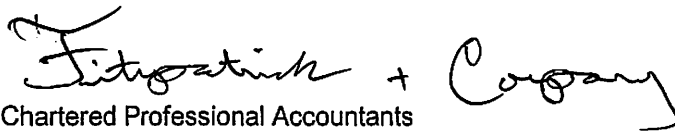
As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- 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.

### Emphasis of Matter - Subsequent Event

Without modifying our conclusion, we draw attention to note 10 of the financial statements, which describes subsequent events related to the global COVID-19 pandemic declared by the World Health Organization.

A handwritten signature in cursive script that reads "Fidigastick + Company". The signature is written in black ink and is positioned above the printed name of the firm.

Fidigastick + Company

Chartered Professional Accountants

Charlottetown, PE  
September 22, 2020

# Island Nature Trust

## Statement of Financial Position

As at March 31, 2020, with comparative figures for 2019

	2020	2019
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 130,103	\$ 41,432
Accounts receivable (note 4)	171,432	12,976
Prepays	3,941	3,741
	305,476	58,149
Stewardship fund (note 5)	78,490	66,546
Investments (note 6)	409,910	436,024
Conservation lands	5,777,657	4,643,596
Property and equipment (note 7)	14,709	1,174
	\$ 6,586,242	\$ 5,205,489
Current liabilities:		
Accounts payable and accrued liabilities	\$ 191,301	\$ 5,677
Current portion of deferred revenue	47,860	11,256
	239,161	16,933
Long-term portion of deferred revenue	1,000	1,000
Net assets:		
Net assets invested in conservation lands	5,777,657	4,643,596
Net assets internally restricted for land acquisition	11,579	7,303
Net assets restricted for stewardship funds	95,178	66,546
Endowment fund	411,128	433,985
Unrestricted net assets	50,539	36,126
	6,346,081	5,187,556
	\$ 6,586,242	\$ 5,205,489

Commitments (note 9)

On Behalf of the Board

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director

# Island Nature Trust

## Statement of Financial Activities

For the Year Ended March 31, 2020, with comparative figures for 2019

	2020	2019
Revenue		
Contracts (note 8)	\$ 404,669	\$ 238,019
Grants	82,687	52,763
Donations	34,994	49,080
Fundraising	27,800	25,553
Dinner	22,356	23,540
Investment income	17,306	14,880
Other	4,030	7,915
Sponsorship	3,500	5,000
Memberships	2,732	3,087
	600,074	419,837
Expenses		
Administration	45,996	34,271
Advertising and meetings	97	117
Appraisal fees	13,823	18,105
Bank charges	754	2,244
Computer	4,096	2,530
Depreciation	1,442	359
Disbursement of Grants	65,190	-
Dinner	15,439	12,250
Land management	2,500	1,929
Professional fees	46,205	19,084
Travel	26,859	24,659
Wages and employee benefits	277,867	277,401
	500,268	392,949
Excess revenues over expenditures	\$ 99,806	\$ 26,888

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, 2020, with comparative figures for 2019

	Invested in conservation lands	Restricted for land acquisitions	Restricted for stewardship fund	Endowment fund	Unrestricted	2020	2019
Balance, beginning of year	\$ 4,643,596	\$ 7,303	\$ 66,546	\$ 433,985	\$ 36,126	\$ 5,187,556	\$ 4,928,755
Endowment contributions				4,928		4,928	4,595
Stewardship contributions			30,706			30,706	40,000
Change in unrealized gain/(loss)			(3,970)	(28,038)		(32,008)	(282)
Excess revenues over expenditures					99,806	99,806	26,888
Net investment income			2,687	14,576	(17,263)	-	-
Land acquisition	554,061	(475,093)			(78,968)	-	-
Land donations	580,000					580,000	139,000
Investment fees			(791)	(4,783)	5,574	-	-
Grants restricted for land purchase		475,093				475,093	48,600
Transfer		4,276		(9,540)	5,264	-	-
Balance, end of year	\$ 5,777,657	\$ 11,579	\$ 95,178	\$ 411,128	\$ 50,539	\$ 6,346,081	\$ 5,187,556

# Island Nature Trust

## Statement of Cash Flows

For the Year Ended March 31, 2020, with comparative figures for 2019  
(Unaudited)

	2020	2019
Cash flows from operating activities:		
Excess revenues over expenditures	\$ 99,806	\$ 26,888
Change in non-cash working capital	64,448	(1,460)
Land donated in kind	1,056,293	187,600
Purchase of land and property and equipment	(1,150,238)	(212,760)
Gain on disposal of investments	-	213
	70,309	481
Cash flows from investing activities:		
Purchase of marketable securities	(19,025)	(40,000)
Purchase of investments	(118,465)	(23,525)
Proceeds from sale of investments	120,218	10,000
Receipt from endowment contribution	4,928	4,595
Receipt from stewardship contribution	30,706	40,000
	18,362	(8,930)
Net increase (decrease) in cash and cash equivalents	88,671	(8,449)
Cash and cash equivalents, beginning of year	41,432	49,881
Cash and cash equivalents, end of year	\$ 130,103	\$ 41,432



# Island Nature Trust

## Notes to the Financial Statements

For the Year Ended March 31, 2020, with comparative figures for 2019

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Island Nature Trust is an organization that acquires and conserves natural areas. Its purpose is to educate the public on unique natural areas and conservation, and to protect scenic roads, natural areas and wildlife habitat. 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 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 and accounts payable. 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, 2020, with comparative figures for 2019

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### 1. Significant accounting policies: (continued)

d) Use of estimates:

The preparation of financial statements in accordance with 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) Conservation lands and easements:

Purchased conservation land is recorded at cost when title is transferred. 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.

f) 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.

### 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.

# Island Nature Trust

## Notes to the Financial Statements

For the Year Ended March 31, 2020, with comparative figures for 2019

### 2. Financial instruments and capital management: (continued)

#### 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 a 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 are limited to investments in foreign securities.

### 3. Cash and cash equivalents:

Cash and cash equivalents included with this balance is an unrestricted fund of \$ 130,103. The Trust has an operating line of credit of \$ 15,000, of which Nil was used at March 31, 2020.

### 4. Accounts receivable:

Accounts receivable consist of the following:

	2020	2019
Contract revenue	\$ 152,526	\$ 10,336
HST receivable	18,906	2,640
	<u>\$ 171,432</u>	<u>\$ 12,976</u>

### 5. Stewardship fund:

	2020	2019
Held to maturity, investments at cost	\$ 32,500	\$ 32,500
Available for sale, investments at market value	42,480	33,519
Cash	3,510	527
	<u>\$ 78,490</u>	<u>\$ 66,546</u>

# Island Nature Trust

## Notes to the Financial Statements

For the Year Ended March 31, 2020, with comparative figures for 2019

### 5. Stewardship fund (continued):

The cost and fair market value are presented below:

	March 31, 2020		March 31, 2019	
	Cost	Market value	Cost	Market value
<b>Held to maturity - investments</b>				
Deposits and Guaranteed investments certificates measured at amortized cost	\$ 32,500	\$ 33,222	\$ 32,500	\$ 33,213
<b>Available for sale - investments</b>				
Equities - Canadian Common Stock	42,577	38,474	28,778	30,065
Equities - US Common Stock	4,120	4,006	4,120	3,454
	\$ 46,697	\$ 42,480	\$ 32,898	\$ 33,519

The held to maturity investments will mature in the following fiscal years: 2021 - \$ 15,000; 2022 - \$ 12,500 and 2023 - \$ 5,000.

### 6. Investments:

	2020	2019
Held to maturity, investments at cost	\$ 189,000	\$ 193,000
Available for sale, investments at market value	211,877	230,069
Cash	9,033	12,955
	\$ 409,910	\$ 436,024

The cost and fair market value are presented below:

	March 31, 2020		March 31, 2019	
	Cost	Market value	Cost	Market value
<b>Held to maturity - investments</b>				
Deposits and Guaranteed investments certificates measured at amortized cost	\$ 189,000	\$ 189,835	\$ 193,000	\$ 194,101
<b>Available for sale - investments</b>				
Equities - Canadian Common Stock	116,643	162,104	94,796	167,023
Equities - US Common Stock	38,602	49,773	38,602	52,979
Equities - Mutual Funds	-	-	10,000	10,067
	\$ 155,245	\$ 211,877	\$ 143,398	\$ 230,069

The held to maturity investments will mature in the following fiscal years: 2021 - \$ 50,000; 2022 - \$ 33,000; 2023 - \$ 53,000 and 2024 \$ 53,000.

# Island Nature Trust

## Notes to the Financial Statements

For the Year Ended March 31, 2020, with comparative figures for 2019

### 7. Property and equipment:

	Cost	Accumulated Amortization	2020 Net Book Value	2019 Net Book Value
Land improvements	\$ 12,513	\$ 501	\$ 12,012	\$ -
Computer	3,360	1,510	1,850	115
Office Equipment	2,297	1,450	847	1,059
	\$ 18,170	\$ 3,461	\$ 14,709	\$ 1,174

### 8. Contract revenue

Contract revenue consists of the following:

	2020	2019
Environment and Climate Change Canada	\$ 146,524	\$ -
Government of PEI	123,525	75,300
Piping Plover Project	52,565	60,880
Wildlife Conservation Fund	52,023	40,116
Other	15,515	17,588
Forest Bird Project	7,343	5,361
Naufrage Dune Restoration	7,174	13,512
EcoAction	-	25,262
	\$ 404,669	\$ 238,019

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 \$98,000 was forwarded to Nova Scotia Nature Trust and Nature Trust of New Brunswick. This \$98,000 was presented on the net basis since the Island Nature Trust was acting as an agent. The remaining \$165,000 was reflected as a direct increase in net assets and was used for land acquisitions.

An additional amount of \$105,000 was received, of which \$79,249 was forwarded directly to another organization. As a result, this amount was recognized on the net basis since the Trust was acting as agent.

# Island Nature Trust

## Notes to the Financial Statements

For the Year Ended March 31, 2020, with comparative figures for 2019

### 9. Commitments:

#### Office equipment and office space:

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:

2021	\$	10,850
2022		10,684
2023		10,684

#### Land purchase:

The Trust signed a contract with Environment and Climate Change Canada during the year. Under a section of the contract, the Trust, and the trusts of Nova Scotia and New Brunswick collectively are to purchase 207 hectares of land over two years by March 31, 2021. The cost of the required land to be purchased is not known at this time.

### 10. Subsequent event:

In March 2020, the World Health Organization declared a global pandemic due to the novel coronavirus (COVID-19). The situation is constantly evolving, and the measures put in place are having multiple impacts on local, provincial, national, and global economies.

The overall effect of these events on the Trust and its operations is too uncertain to be estimated at this time. The impacts will be accounted for when they are known and may be assessed.

Management is uncertain of the effects of these changes on its financial statements and believes that any disturbance may be temporary; however, there is uncertainty about the length and potential impact of the disturbance.

As a result, we are unable to estimate the potential impact on the company's operations as at the date of these financial statements.