

GALIANO CONSERVANCY ASSOCIATION
Financial Statements
Year Ended December 31, 2017

GALIANO CONSERVANCY ASSOCIATION
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Year Ended December 31, 2017

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INDEPENDENT PRACTITIONER'S REVIEW ENGAGEMENT REPORT

To the Members of Galiano Conservancy Association

We have reviewed the accompanying financial statements of Galiano Conservancy Association that comprise the statement of financial position as at December 31, 2017 and the statements of revenues and expenditures and changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility 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.

Practitioner's Responsibility

Our responsibility is to express a conclusion on the accompanying financial statements based on our review. We conducted our review in accordance with Canadian generally accepted standards for review engagements, which require us to comply with relevant ethical requirements.

A review of financial statements in accordance with Canadian generally accepted standards for review engagements is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less in extent than, and vary in nature from, those performed in an audit conducted in accordance with Canadian generally accepted auditing standards. Accordingly, we do not express an audit opinion on these financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that these financial statements do not present fairly, in all material respects, the financial position of Galiano Conservancy Association as at December 31, 2017, and the results of its operations and its cash flows for the year then ended in accordance with the Canadian accounting standards for not-for-profit organizations.

Sidney, British Columbia
May 13, 2018

Paterson Henn CPA

Chartered Professional Accountants

GALIANO CONSERVANCY ASSOCIATION
Statement of Financial Position
December 31, 2017

	General Fund	Endowment Fund	Land Fund	Building Fund	2017	2016
ASSETS						
CURRENT						
Cash	\$ 144,846	\$ -	\$ 2,609	\$ 26,711	\$ 174,166	\$ 214,383
Term deposits and marketable securities	293	20,487	351,250	-	372,030	395,637
Accounts receivable	4,049	-	-	-	4,049	11,619
Goods and services tax recoverable	-	-	-	-	-	910
	149,188	20,487	353,859	26,711	550,245	622,549
TANGIBLE CAPITAL ASSETS <i>(Net of accumulated amortization) (Note 3)</i>	18,318	-	3,622,111	188,410	3,828,839	2,715,318
	\$ 167,506	\$ 20,487	\$ 3,975,970	\$ 215,121	\$ 4,379,084	\$ 3,337,867
LIABILITIES AND NET ASSETS						
CURRENT						
Accounts payable and accrued liabilities	\$ 2,648	\$ -	\$ -	\$ -	\$ 2,648	\$ 7,200
Deferred revenue <i>(Note 6)</i>	150,925	-	800	26,711	178,436	246,672
	153,573	-	800	26,711	181,084	253,872
PROMISSORY NOTES <i>(Note 5)</i>	-	-	270,995	-	270,995	326,163
DEMAND LOAN <i>(Note 4)</i>	-	-	361,295	-	361,295	470,000
	153,573	-	633,090	26,711	813,374	1,050,035
NET ASSETS	13,933	20,487	3,342,880	188,410	3,565,710	2,287,832
	\$ 167,506	\$ 20,487	\$ 3,975,970	\$ 215,121	\$ 4,379,084	\$ 3,337,867

GALIANO CONSERVANCY ASSOCIATION
Statement of Revenues and Expenditures and Changes in Net Assets
Year Ended December 31, 2017

	General Fund	Endowment Fund	Land Fund	Building Fund	2017	2016
REVENUES						
Contracts	\$ 2,460	\$ -	\$ -	\$ -	\$ 2,460	\$ 2,866
Corporate grants	3,046	-	-	-	3,046	53,056
Donations (Note 9)	79,433	-	1,284,006	-	1,363,439	442,761
Federal grants	154,068	-	-	-	154,068	71,929
Foundation grants	185,591	-	-	12,639	198,230	108,013
Interest income	7,999	589	4,144	-	12,732	16,127
Memberships	1,040	-	-	-	1,040	774
Program fees	28,314	-	-	-	28,314	17,854
Public service	19,523	-	-	-	19,523	20
Regional grants	5,713	-	-	-	5,713	8,069
Rental income	4,911	-	-	-	4,911	3,738
Sales	7,650	-	-	-	7,650	8,749
Wage subsidies	24,229	-	-	-	24,229	21,243
	523,977	589	1,288,150	12,639	1,825,355	755,199
EXPENDITURES						
Accounting and legal fees	27,468	-	-	-	27,468	18,051
Advertising and promotion	3,813	-	-	-	3,813	4,584
Amortization	4,443	-	-	-	4,443	5,873
Bad debts	-	-	-	-	-	64
Business operating expenses	7,397	-	-	-	7,397	10,993
Conferences and education	1,318	-	-	-	1,318	1,806
Contracts and consultants	116,243	-	-	-	116,243	53,287
Honorariums	24,795	-	-	-	24,795	8,370
Insurance, licences and fees	9,061	-	-	-	9,061	10,657
Interest and bank charges	515	-	-	-	515	1,336
Interest on bank term loan	-	-	14,975	-	14,975	18,732
Materials and supplies	31,209	-	-	-	31,209	16,172
Office supplies and sundry	11,772	-	-	-	11,772	11,665
Property taxes	1,684	-	-	-	1,684	-
Rent and property tax	11,120	-	-	-	11,120	9,145
Repairs and maintenance	214	-	-	-	214	3,664
Salaries and wages	276,273	-	-	-	276,273	263,561
Telephone and utilities	5,174	-	-	-	5,174	5,302
	532,499	-	14,975	-	547,474	443,262

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GALIANO CONSERVANCY ASSOCIATION
Statement of Revenues and Expenditures and Changes in Net Assets (continued)
Year Ended December 31, 2017

	General Fund	Endowment Fund	Land Fund	Building Fund	2017	2016
NET EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(8,522)	589	1,273,175	12,639	1,277,881	311,937
NET ASSETS - BEGINNING OF YEAR	(1,310)	19,334	2,094,034	175,771	2,287,829	1,975,895
	(9,832)	19,923	3,367,209	188,410	3,565,710	2,287,832
INTERFUND TRANSFERS	23,765	564	(24,329)	-	-	-
NET ASSETS - END OF YEAR	\$ 13,933	\$ 20,487	\$ 3,342,880	\$ 188,410	\$ 3,565,710	\$ 2,287,832

GALIANO CONSERVANCY ASSOCIATION**Statement of Cash Flows****Year Ended December 31, 2017**

	2017	2016
OPERATING ACTIVITIES		
Excess Of Revenues Over Expenditures	\$ 1,277,881	\$ 311,937
Item not affecting cash:		
Amortization of tangible capital assets	<u>4,443</u>	5,873
	<u>1,282,324</u>	<u>317,810</u>
Changes in non-cash working capital:		
Accounts receivable	7,570	(9,666)
Accounts payable and accrued liabilities	(4,553)	1,373
Deferred revenue	(68,236)	4,490
Prepaid expenses	-	8,486
Goods and services tax payable	<u>910</u>	<u>993</u>
	<u>(64,309)</u>	<u>5,676</u>
Cash flow from operating activities	<u>1,218,015</u>	<u>323,486</u>
INVESTING ACTIVITY		
Purchase of tangible capital assets	<u>(1,117,964)</u>	(12,962)
Cash flow used by investing activity	<u>(1,117,964)</u>	<u>(12,962)</u>
FINANCING ACTIVITIES		
Repayment of demand loan	(108,705)	(50,000)
Repayment of promissory notes	<u>(55,168)</u>	<u>(258,500)</u>
Cash flow used by financing activities	<u>(163,873)</u>	<u>(308,500)</u>
INCREASE (DECREASE) IN CASH FLOW	(63,822)	2,024
Cash - beginning of year	<u>610,020</u>	<u>607,997</u>
CASH - END OF YEAR	<u>546,198</u>	<u>610,021</u>
CASH CONSISTS OF:		
Cash	\$ 174,167	\$ 214,383
Term deposits and marketable securities	<u>372,030</u>	<u>395,637</u>
	<u>\$ 546,197</u>	<u>\$ 610,020</u>

GALIANO CONSERVANCY ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2017

1. PURPOSE OF THE ORGANIZATION

Galiano Conservancy Association (the "Association") is a not-for-profit organization organized to assist the community to conserve natural environments by preserving habitats and promoting stewardship. The Association is incorporated under the Society of British Columbia. As a registered charity the organization is exempt from the payment of income tax under Section 149(1) of the Income Tax Act.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNFPO).

Fund accounting

Galiano Conservancy Association follows the restricted fund method of accounting for contributions.

The General Fund accounts for the organization's programs, land management and administrative activities. This fund reports unrestricted resources and restricted operating grants.

The Endowment Fund reports resources contributed for endowment and interest earned on related deposits. The marketable securities held within the fund are maintained by the Vancouver Foundation and are externally restricted.

The Land Fund accounts for the organization's acquisition and conservation of local land areas. The GIC held within the Land Fund is externally restricted by the mortgage and land holding agreement held by the Nature Conservancy of Canada which is registered on the title of Millard Learning Centre (See Note 9).

The Building Fund accounts for the Classroom building located on the Learning Centre land, which is used by the organization for group activities including teaching and training.

Financial instruments policy

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

The Association currently holds term deposits which are considered to be cash equivalents and mutual funds which are reported at their fair market value based on the broker statements.

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GALIANO CONSERVANCY ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

Tangible Capital assets

Tangible Capital assets are stated at cost or deemed cost less accumulated amortization. Tangible Capital assets are amortized over their estimated useful lives on a declining balance basis at the following rates and methods, except in year of acquisition when one-half amortization is recorded:

Land		non-depreciable
Learning Centre Building	4%	
Computer equipment	30%	
Equipment	20%	
Motor vehicles	30%	

Equipment and library purchases are charged as an expense in the period acquired. Capital assets not yet complete and not placed into use are not amortized. See Note 9 for further information and descriptions on the properties held and Note 8 for information on the Learning Centre Building..

Contributed services

The operations of the organization depend on both the contribution of time by volunteers and donated materials from various sources. The fair value of donated materials and services are not reflected in these financial statements unless an independent fair value has been determined or the goods or services would otherwise have been purchased.

Revenue recognition

Galiano Conservancy Association follows the restricted fund method of accounting for contributions.

Restricted contributions are primarily recognized in the General Fund in the year in which the related expenses are incurred.

Unrestricted contributions are recognized as revenue of the General Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Contributions for endowment are recognized as revenue in the Endowment Fund.

Membership fees are recognized as revenue of the General Fund when collected.

In-kind contributions are recognized as revenue in the related fund if the fair market value has been determined by an independent source. For land donations a market appraisal is used for the fair value and for goods or services this market value is the retail cost of the supplies or services, if determinable otherwise the donation is not recorded.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

GALIANO CONSERVANCY ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2017

3. TANGIBLE CAPITAL ASSETS

	Cost	Accumulated amortization	2017 Net book value	2016 Net book value
Learning Centre Land	\$ 1,335,705	\$ -	\$ 1,335,705	\$ 1,335,705
14475 Porlier Pass Road	1,105,325	-	1,105,325	-
Finlay Lake (District Lot 5)	274,810	-	274,810	274,810
Lot 1, District Lot 58 Covenant	200,836	-	200,836	200,836
Great Beaver Swamp	185,000	-	185,000	185,000
Laughlin Lake	148,900	-	148,900	148,900
District Lot 63	125,204	-	125,204	125,204
Mt. Sutil	21,332	-	21,332	21,332
Retreat Island	225,000	-	225,000	225,000
Land held in trust (Note 9)	3,622,112	-	3,622,112	2,516,787
Learning Centre Building	188,410	-	188,410	175,771
Computer equipment	9,294	6,542	2,752	3,932
Equipment	26,117	12,803	13,314	15,968
Motor vehicles	14,093	11,842	2,251	2,861
	\$ 3,860,026	\$ 31,187	\$ 3,828,839	\$ 2,715,319

The Learning Centre building includes a donated building as well as materials and other related costs incurred to construct the building. At year end, the building was not yet complete and no amortization has been recorded. (See Note 8).

For land assets, "Cost" includes any Galiano Conservancy Association contributions - it does not include contributions from other organizations or agencies that retain a legal interest in the land.

4. DEMAND LOAN

	2017	2016
VanCity loan bearing interest at 4.2% per annum, with all amounts outstanding under the Credit Facility repayable on demand. Until demand is made, interest on the Credit Facility shall be due and payable on the last day of each month. The Credit Facility will be open for prepayment in full or in part at any time, without notice, penalty or bonus. The loan is secured by personal guarantees.	\$ 361,295	\$ 470,000

5. PROMISSORY NOTES

The promissory notes are loans that are secured by a general security agreement and bear no interest and have no set repayment terms. During the year \$40,022 was repaid and \$15,146 donated (2016 - \$258,500 was repaid).

6. DEFERRED REVENUE

Deferred revenue is comprised of revenue received for specific projects for which the expenditures have not yet been incurred. These projects have either not been started or are not yet complete.

GALIANO CONSERVANCY ASSOCIATION
Notes to Financial Statements
Year Ended December 31, 2017

7. PROMISSORY NOTE OWED FROM THE LAND CONSERVANCY (TLC)

The Association entered into an agreement with TLC effective February 18, 2012 wherein TLC would pay the Society \$600,000 which would then be applied against the loan owed to VanCity. This was a bequest being transferred from TLC to the Society. In 2012 a principal payment of \$125,000 was received and applied against the VanCity loan. As of October 9, 2013, TLC was awarded creditor protection from the Supreme Court of British Columbia. On April 2, 2015 a plan of arrangement for the TLC to sell properties and meet its obligations was approved by creditors and the Supreme Court of British Columbia. This plan anticipated full payment on all claims. At a December 2, 2016 Meeting of the Creditors, creditors voted in favour to pass TLC's Revised Plan of Compromise and Arrangement (RPOA). This would allow TLC to exit the court monitored process and pay unsecured creditors a committed 22.5% of the amount owed, plus an initial Convenience Class payment of the first \$5,000 of claims. The Supreme Court of Canada subsequently sanctioned the RPOA on January 16, 2017. The Promissory Note, due February 18, 2014, has had no interest (prime + 2%) payments received during 2016. The Convenience Class payment of \$5,000 was received December 31, 2016.

The 22.5% payment of \$103,704.63 was received February 17, 2017. The Promissory Note is now officially terminated, as a result of the court process being completed.

8. LEARNING CENTRE BUILDING

In 2014 a building (aspa building), was donated with a determined fair market value of \$104,000. The building was not complete at year end so no amortization has been taken. Improvements for 2017 were \$12,639 (2016 - \$8,486).

GALIANO CONSERVANCY ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2017

9. LAND HELD IN TRUST

Millard Learning Centre Land - 10825 Porlier Pass Road

The Learning Centre land is 188 acres. It has a varied landscape, including 2 km of waterfront, agriculture land and intact old growth forest. It provides an excellent site for the future infrastructure for the Centre. The purchase price in 2012 was \$3,025,000. The recorded book value of the land was reduced by the net grant received from the Nature Conservancy of Canada in the amount of \$1,689,295 for a net book value of \$1,335,705. A stewardship endowment in the amount of \$351,250 has been established. The 2017 BC Assessment value is \$2,757,000.

Finlay Lake (District Lot 5) - Ellis Road

During the year an in-kind donation of District Lot 5, located off Ellis Road on Galiano Island, BC. This property is a vacant rural treed acreage with most of Finlay Lake in the middle of the property. The 2017 BC Assessment value is \$133,000.

Great Beaver Swamp - Melissa Road

The Great Beaver Swamp is a large wetland adjoining the Pebble Beach Reserve. The 45 acre parcel was purchased in 2003 for \$185,000. There has been a boundary adjustment so that the present parcel includes all of the wetland. The 2017 BC Assessment value is \$299,000.

Laughlin Lake - Vineyard Way

Laughlin Lake is the largest lake on Galiano and proves a connecting link between Bodega Ridge Provincial Park and the Pebble Beach Reserve. The 27 acre property was purchased from a court ordered sale of \$148,000 in 2000. The 2017 BC Assessment value is \$174,000.

District Lot 58

In 2013 a conservation covenant attached to District Lot 58 was acquired for \$190,000 plus legal fees of \$10,836 for a total cost of \$200,836.

Pebble Beach - District Lot 63

District Lot 63 provides a connecting link between two Crown Land parcels to make up the Pebble Beach Reserve, an area used for recreation by islanders and visitors alike. The 154 acre parcel of land was purchased in 1998 in a partnership between Galiano Conservancy, the Nature Conservancy of Canada and the Pacific Marine Heritage Legacy (federal/provincial partnership) for \$430,000. The title is held by Galiano Conservancy. The 2017 BC Assessment value is \$526,000.

Mt. Sutil - Steward Drive

Mt. Sutil is the site of an important Garry Oak ecosystem. The 42 acre summit was purchased in 1990 by Galiano Conservancy and the Nature Conservancy of Canada for \$42,000. This parcel has limited legal access. In 2002 the title was placed in Galiano Conservancy's name only. The 2017 BC Assessment value is \$343,000.

Retreat Island

Retreat Island is a 7 acre island located off Galiano in the Trincomali Channel. As part of an estate planning process, the owners placed conservation covenants on approximately one half of the Island and then in 1999 donated that land to Galiano Conservancy Association. The 2017 BC Assessment value is \$116,000.

14475 Porlier Pass Road

Residential land and building located on Galiano Island. This property was donated in the current year with a fair market value of \$1,095,000. The property was sold March 2018 for \$1,080,000.