

Financial Statements of

**THE ISLANDS TRUST FUND**

Year ended March 31, 2014



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## INDEPENDENT AUDITORS' REPORT

*To the Trustees of the Islands Trust Fund Board, the Trustees of the Islands Trust Council and the Minister of Community, Sport and Cultural Development*

We have audited the accompanying financial statements of The Islands Trust Fund, which comprise the statement of financial position as at March 31, 2014, the statements of remeasurement gains and losses, operations, changes in fund balances and cash flows for the year then ended, and notes, comprising 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 public sector accounting standards, 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.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

### *Basis for Qualified Opinion*

In common with many charitable organizations, The Islands Trust Fund 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 Islands Trust Fund. Therefore, we were not able to determine whether, as at March 31, 2014 and for the years ended March 31, 2014 and March 31, 2013, any adjustments might be necessary to revenue and excess of revenue over expenses reported in the statements of operations, statements of cash flows and statements of changes in fund balances and current assets and fund balances reported in the statements of financial position. This caused us to qualify our audit opinion on the financial statements as at and for the year ended March 31, 2013.



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*Qualified Opinion*

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of The Islands Trust Fund as at March 31, 2014, its remeasurement gains and losses, its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slanted style. Below the signature is a long, horizontal, slightly wavy line that extends to the right.

Chartered Accountants

July 21, 2014  
Victoria, Canada

# THE ISLANDS TRUST FUND

## Statement of Financial Position

March 31, 2014, with comparative information for 2013

	Opportunity Fund	Restricted Fund	Capital Fund	Endowment Fund	2014 Total	2013 Total
(Schedule 1)						
<b>Assets:</b>						
Current assets:						
Cash	\$ 31,828	\$ 94,953	\$ -	\$ -	\$ 126,781	\$ 101,857
Short-term investments (note 2)	-	204,726	-	88,000	292,726	275,497
Inventory of fundraising items	2,228	-	-	-	2,228	2,288
	34,056	299,679	-	88,000	421,735	379,642
Land (notes 3 and 5)	-	-	7,073,903	4,974,000	12,047,903	11,620,903
	\$ 34,056	\$ 299,679	\$ 7,073,903	\$ 5,062,000	\$ 12,469,638	\$ 12,000,545
<b>Fund Balances</b>						
Unrestricted	\$ 34,056	\$ -	\$ -	\$ -	\$ 34,056	\$ 43,900
Investment in land (note 3)	-	-	7,073,903	-	7,073,903	6,856,903
Internally restricted (note 4)	-	16,160	-	-	16,160	16,124
Externally restricted (note 4)	-	283,519	-	-	283,519	231,618
Restricted for endowment purposes (note 5)	-	-	-	5,062,000	5,062,000	4,852,000
	\$ 34,056	\$ 299,679	\$ 7,073,903	\$ 5,062,000	\$ 12,469,638	\$ 12,000,545

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

Approved by the Trust Fund Board:



Board member



Board member

# THE ISLANDS TRUST FUND

## Statement of Operations

Year ended March 31, 2014, with comparative information for 2013

	Opportunity Fund	Restricted Fund	Capital Fund	Endowment Fund	2014 Total	2013 Total
						(Schedule 2)
<b>Revenue:</b>						
Donations:						
Cash	\$ 9,351	\$ 21,071	\$ -	\$ -	\$ 30,422	\$ 9,933
Land	-	-	217,000	210,000	427,000	336,000
Grants	-	3,416	-	-	3,416	3,342
Rental income	-	10,200	-	-	10,200	10,200
Investment income	119	17,405	-	-	17,524	11,323
Sale of fundraising items	126	-	-	-	126	267
	9,596	52,092	217,000	210,000	488,688	371,065
<b>Expenses:</b>						
Repairs and maintenance - Alton property	-	126	-	-	126	6,709
Cost of sales of fundraising items	60	-	-	-	60	270
Bank charges	80	29	-	-	109	86
Donations to conservancy groups	19,300	-	-	-	19,300	9,769
	19,440	155	-	-	19,595	16,834
<b>Excess (deficiency) of revenue over expenses</b>	\$ (9,844)	\$ 51,937	\$ 217,000	\$ 210,000	\$ 469,093	\$ 354,231

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

# THE ISLANDS TRUST FUND

## Statement of Changes in Fund Balances

Year ended March 31, 2014, with comparative information for 2013

	Opportunity Fund	Restricted Fund	Capital Fund	Endowment Fund	Total
Fund balances, March 31, 2012	\$ 44,583	\$ 228,828	\$ 6,800,903	\$ 4,572,000	\$ 11,646,314
Excess (deficiency) of revenue over expenses	(683)	18,914	56,000	280,000	354,231
Fund balances, March 31, 2013	43,900	247,742	6,856,903	4,852,000	12,000,545
Excess (deficiency) of revenue over expenses	(9,844)	51,937	217,000	210,000	469,093
Fund balances, March 31, 2014	\$ 34,056	\$ 299,679	\$ 7,073,903	\$ 5,062,000	\$ 12,469,638

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

# THE ISLANDS TRUST FUND

## Statement of Cash Flows

Year ended March 31, 2014, with comparative information for 2013

	2014	2013
<b>Cash provided by (used in):</b>		
<b>Operating activities:</b>		
Excess of revenue over expenses	\$ 469,093	\$ 354,231
Item not involving cash:		
Donation of land	(427,000)	(336,000)
Changes in non-cash operating working capital:		
Inventory of fundraising items	60	270
Accounts payable	-	(29,880)
	42,153	(11,379)
<b>Investing activities:</b>		
Increase in short-term investments	(17,229)	(10,895)
<b>Increase (decrease) in cash</b>	24,924	(22,274)
Cash, beginning of year	101,857	124,131
<b>Cash, end of year</b>	\$ 126,781	\$ 101,857

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

# THE ISLANDS TRUST FUND

Notes to Financial Statements

Year ended March 31, 2014

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The Islands Trust (the "Trust") is incorporated under The Islands Trust Act of British Columbia (as amended). The objectives of the Trust are to preserve and protect the Trust area and its unique amenities and environment for the benefit of the residents of the Trust area and of the Province generally.

The Islands Trust Fund (the "Trust Fund") is also incorporated under The Islands Trust Act of British Columbia and is empowered to accept donations, grants and bequests on behalf of the Trust and to hold land and other property in compliance with a Trust Fund plan approved by the Ministry of Community, Sport and Cultural Development.

The Trust Fund is administered by the Trust and for financial reporting purposes, the Trust and the Trust Fund are reported on separately. The Trust Fund's annual expenses are funded by and reported as part of the Trust in accordance with The Islands Trust Act. These financial statements present the financial position and changes in fund balances of the Trust Fund.

## 1. Significant accounting policies:

The financial statements have been prepared in accordance with Canadian Public Sector Accounting Standards including the 4200 standards for government not-for-profit organizations:

### (a) Fund accounting:

The Trust Fund follows the restricted fund method of accounting for contributions.

The Opportunity Fund reports unrestricted resources.

The Restricted Fund reports the assets, liabilities, revenue and expenses related to internally and externally restricted assets.

The Capital Fund reports the assets, liabilities, revenue and expenses related to the Trust Fund's capital assets.

The Endowment Fund reports resources that are contributed for endowment purposes.

### (b) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Derivative instruments and equity instruments that are quoted in an active market are reported at fair value. All other financial instruments are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value. Management has elected to record all investments at fair value as they are managed and evaluated on a fair value basis.

Unrealized changes in fair value are recognized in the statement of remeasurement gains and losses until they are realized, when they are transferred to the statement of operations. In the years presented, there are no unrealized gains or losses and as a result no statement of remeasurement gains or losses has been included.



# THE ISLANDS TRUST FUND

Notes to Financial Statements

Year ended March 31, 2014

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## 1. Significant accounting policies (continued):

### (b) Financial instruments (continued):

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

All financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the statement of operations and any unrealized gain is adjusted through the statement of remeasurement gains and losses. When the asset is sold, the unrealized gains and losses previously recognized in the statement of remeasurement gains and losses are reversed and recognized in the statement of operations. All investments held by the Trust Fund are classified as Level 2 investments for fair value measurement and there were no changes in classification in the years presented.

### (c) Land:

Purchased land is recorded at cost. Contributed land is recorded at estimated fair value at the date of contribution.

### (d) Revenue recognition:

Restricted contributions are recorded as revenue of the appropriate restricted fund when received or receivable, if the amount can be reasonably estimated and collection is reasonably assured.

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

Contributions for endowment are recorded as revenue in the Endowment Fund balance.

Interest income earned on Endowment Fund resources is restricted for the purpose of maintaining certain specified property and is recorded in the Restricted Fund. Interest income of internally restricted funds is recorded as revenue of the Restricted Fund. Other interest income is recorded as revenue of the Opportunity Fund when earned.

All other forms of income are recorded as revenue of the Opportunity Fund when received or receivable.

# THE ISLANDS TRUST FUND

Notes to Financial Statements

Year ended March 31, 2014

## 1. Significant accounting policies (continued):

### (e) Use of estimates:

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the period. Significant estimates include assumptions used in estimating the fair value of contributed land at the date of contribution. Actual results could differ from those estimates.

## 2. Short-term investments:

Short-term investments consist of a guaranteed investment certificate, short term investment certificate and Municipal Finance Authority of British Columbia ("MFA") Intermediate and Money Market Funds. Investment certificates mature on April 16, 2014 and have interest rates ranging from 1.00% to 1.55%. Investments in MFA Funds are recorded at cost plus earnings reinvested in the funds.

## 3. Land:

	Acquisition date	2014	2013
Inner Island Nature Reserve, Denman Island	1992	\$ 70,000	\$ 70,000
Coats Millstone Reserve, Gabriola Island	1994	100,000	100,000
Medicine Beach Nature Sanctuary, North Pender Island	1996	477,000	477,000
Cunningham Reserve, Salt Spring Island	1994	265,000	265,000
Deep Ridge Reserve, Salt Spring Island	1992	255,000	255,000
Lower Mt. Erskine Nature Reserve, Salt Spring Island	1996	284,000	284,000
Kwel Nature Sanctuary, Lasqueti Island	1997	195,497	195,497
Singing Woods Nature Reserve, Bowen Island	1999	157,000	157,000
Trincomali Nature Sanctuary, Galiano Island	2001	242,406	242,406
Horton Bayviary Nature Reserve, Mayne Island	2002	210,000	210,000
Morrison Marsh Nature Reserve, Denman Island	2006	438,000	438,000
Brigade Bay Bluffs Nature Reserve, Gambier Island	2006	150,000	150,000
Long Bay Wetland Nature Reserve, Gambier Island	2006	305,000	305,000
Elder Cedar Nature Reserve, Gabriola Island	2007	658,000	658,000
Mount Artaban Nature Reserve, Gambier Island	2009	1,177,000	1,177,000
Fairy Fen Nature Reserve, Bowen Island	2011	1,817,000	1,817,000
Laughlin Lake Nature Reserve, Galiano Island	2013	56,000	56,000
DL 58 Nature Reserve, Galiano Island	2014	217,000	-
		<b>\$ 7,073,903</b>	<b>\$ 6,856,903</b>

# THE ISLANDS TRUST FUND

Notes to Financial Statements

Year ended March 31, 2014

## 4. Restricted Fund balances:

	2014	2013
Internally restricted:		
McFadden property	\$ 16,160	\$ 16,124
Externally restricted:		
Alton Nature Reserve - maintenance fund	62,145	34,537
Morrison Fund	20,000	-
Covenant Defense Fund	60,974	59,992
Lasqueti Acquisition Funds	30,875	29,747
Gambier Acquisition Fund	109,525	107,342
	<u>283,519</u>	<u>231,618</u>
	<u>\$ 299,679</u>	<u>\$ 247,742</u>

The Covenant Defense Fund was previously named the Marilyn King – Covenant protection endowment.

## 5. Restricted for endowment purposes:

	Acquisition date	2014	2013
Short-term investments:			
Alton Nature Reserve - maintenance	2002	\$ 88,000	\$ 88,000
Land:			
Lindsay Dickson Nature Reserve, Denman Island	2001	2,200,000	2,200,000
Alton Nature Reserve, Salt Spring Island	2002	454,000	454,000
Properties acquired under the Federal Government Ecological Gifts program:			
Mt. Trematon Nature Reserve, Lasqueti Island	2006	320,000	320,000
David Otter Nature Reserve, Bowen Island	2007	620,000	620,000
John Osland Nature Reserve, Lasqueti Island	2012	890,000	890,000
Valens Brook Nature Reserve, Denman Island	2013	280,000	280,000
Burren's Acres Nature Reserve, Gabriola Island	2014	210,000	-
		<u>4,974,000</u>	<u>4,764,000</u>
<b>Total restricted for endowment purposes</b>		<u>\$ 5,062,000</u>	<u>\$ 4,852,000</u>

# THE ISLANDS TRUST FUND

Notes to Financial Statements

Year ended March 31, 2014

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## 5. Restricted for endowment purposes (continued):

Investment gains on endowment funds for the year of \$14,064 (2013 - \$7,184) have been recorded in the Restricted Fund.

Two properties owned by the Trust Fund Board, the Lindsay Dickson property on Denman Island, and the Alton property on Salt Spring Island, were donated on the condition that the properties be used and managed in certain ways. The Lindsay Dickson property was donated "for so long as the land is used as a nature reserve for the use, benefit and enjoyment of the residents of B.C.". The Alton property is to be held, managed and preserved for its ecological environment and scenic features and not as a recreational park. The residence, gardens and driveway are to be preserved and managed for non-profit purposes.

In the event that these properties are not managed accordingly, the properties could revert to the Province of British Columbia in the case of the Lindsay Dickson Nature Reserve, and to the Executors of the donor's estate in the case of the Alton Nature Reserve.

Certain properties as listed in the preceding table were acquired under the Federal Government Ecological Gift program. Recipients of ecological gifts are responsible for maintaining the biodiversity and environmental heritage values of the property in perpetuity.

## 6. Related party:

The Trust is related to the Trust Fund through the composition of the Trust Fund's Board. The Trust Fund's Board is comprised of three members from the Trust's Council and up to three members appointed by the Minister of Community, Sport and Cultural Development.

The Trust Fund's annual expenses are funded by and reported as part of the Trust in accordance with The Islands Trust Act. The expenses are summarized as follows:

	2014	2013
Programs	\$ 465,536	\$ 455,441
Board	14,082	18,559
Administration	144,701	138,814
	<u>\$ 624,319</u>	<u>\$ 612,814</u>

# THE ISLANDS TRUST FUND

Notes to Financial Statements

Year ended March 31, 2014

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## **7. Financial risks and concentration of risk:**

The Trust Fund's financial instruments consist of cash, short-term investments and accounts payable. It is management's opinion that the Trust Fund is not exposed to significant interest, currency or credit risk arising from these financial instruments. The maximum exposure to credit risk at March 31, 2014 is the carrying value of cash and short-term investments. The Trust Fund deals with creditworthy counterparties to mitigate credit risk. The Trust Fund manages its liquidity risk by monitoring its operating requirements. Interest rate risk is not significant due to the short term nature of investments held. There have been no significant changes to risk exposure in the years presented.

## **8. Comparative figures:**

Certain properties were reclassified from the Capital Fund to Endowment Fund in accordance with restrictions noted at the terms of the donation. The reclassification resulted in a decrease in land and fund balance of the Capital Fund and increase in land and fund balance of the Endowment fund of \$890,000 at March 31, 2012 and \$280,000 at March 31, 2013

# THE ISLANDS TRUST FUND

Statement of Financial Position

Schedule 1

March 31, 2013

	Opportunity Fund	Restricted Fund	Capital Fund	Endowment Fund	2013 Total
<b>Assets:</b>					
Current assets:					
Cash	\$ 41,612	\$ 60,245	\$ -	\$ -	\$ 101,857
Short-term investments	-	187,497	-	88,000	275,497
Inventory of fundraising items	2,288	-	-	-	2,288
	43,900	247,742	-	88,000	379,642
Land (notes 3 and 5)	-	-	6,856,903	4,764,000	11,620,903
	\$ 43,900	\$ 247,742	\$ 6,856,903	\$ 4,852,000	\$ 12,000,545
<b>Fund Balances</b>					
Unrestricted	\$ 43,900	\$ -	\$ -	\$ -	\$ 43,900
Investment in land (note 3)	-	-	6,856,903	-	6,856,903
Internally restricted (note 4)	-	16,124	-	-	16,124
Externally restricted (note 4)	-	231,618	-	-	231,618
Restricted for endowment purposes (note 5)	-	-	-	4,852,000	4,852,000
	\$ 43,900	\$ 247,742	\$ 6,856,903	\$ 4,852,000	\$ 12,000,545

# THE ISLANDS TRUST FUND

Statement of Operations

Schedule 2

Year ended March 31, 2013

	Opportunity Fund	Restricted Fund	Capital Fund	Endowment Fund	2013 Total
<b>Revenue:</b>					
Donations:					
Cash	\$ 8,987	\$ 946	\$ -	\$ -	\$ 9,933
Land	-	-	56,000	280,000	336,000
Grants	-	3,342	-	-	3,342
Rental income	-	10,200	-	-	10,200
Investment income	188	11,135	-	-	11,323
Sale of fundraising items	267	-	-	-	267
	9,442	25,623	56,000	280,000	371,065
<b>Expenses:</b>					
Repairs and maintenance - Alton property	-	6,709	-	-	6,709
Cost of sales of fundraising items	270	-	-	-	270
Bank charges	86	-	-	-	86
Donations to conservancy groups	9,769	-	-	-	9,769
	10,125	6,709	-	-	16,834
<b>Excess (deficiency) of revenue over expenses</b>	\$ (683)	\$ 18,914	\$ 56,000	\$ 280,000	\$ 354,231