

Financial Statements of

ISLANDS TRUST

Year ended March 31, 2011

ISLANDS TRUST

Financial Statements

Year ended March 31, 2011

Financial Statements

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MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The accompanying financial statements of Islands Trust (the "Trust") are the responsibility of the Trust's management and have been prepared in compliance with legislation, and in accordance with Canadian public sector accounting standards for local governments as recommended by the Public Sector Accounting Board of The Canadian Institute of Chartered Accountants. A summary of the significant accounting policies are described in note 1 to the financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods


The Trust's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the financial statements. These systems are monitored and evaluated by management.

The Trust, acting through its Audit Committee, meets with management and the external auditors to review the financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the financial statements.

The financial statements have been audited by KPMG LLP, independent external auditors appointed by Trust Council. The accompanying Independent Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Trust's financial statements.



Chief Administrator Officer



Treasurer



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Independent Auditors' Report

To the Trustees of Islands Trust and the Minister of Community, Sport and Cultural Development

We have audited the accompanying financial statements of Islands Trust, which comprise the statement of financial position as at March 31, 2011, the statements of operations, change in net financial assets 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 audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Islands Trust as at March 31, 2011, and its results of operations and its change in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

June 15, 2011
Victoria, Canada

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ISLANDS TRUST

Statement of Financial Position

March 31, 2011, with comparative information for 2010

	2011	2010
Financial assets:		
Cash and cash equivalents (note 2)	\$ 3,409,216	\$ 3,045,703
Accounts receivable	104,658	53,839
	<u>3,513,874</u>	<u>3,099,542</u>
Financial liabilities:		
Wages and benefits payable	1,046,483	1,007,430
Accounts payable and accrued liabilities	297,003	240,614
Deferred revenue	155,518	44,044
Employee benefit obligations (note 3)	205,979	217,451
Obligations under capital leases (note 4)	44,589	51,763
Cost recovery deposits (note 11(ii))	34,007	11,100
	<u>1,783,579</u>	<u>1,572,402</u>
Net financial assets	1,730,295	1,527,140
Non-financial assets:		
Tangible capital assets (note 5)	158,813	167,299
Prepaid expenses	14,879	957
	<u>173,692</u>	<u>168,256</u>
Accumulated surplus (note 6)	\$ 1,903,987	\$ 1,695,396

Commitments (note 9)

Contingent liabilities (note 10)

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

On behalf of the Trust Council:



Trustee



Trustee

ISLANDS TRUST

Statement of Operations

Year ended March 31, 2011, with comparative information for 2010

	Budget (unaudited - note 7)	2011	2010
Revenue:			
Property tax - general	\$ 5,755,082	\$ 5,755,082	\$ 5,447,191
Property tax levy - Bowen Island Municipality	224,517	224,518	208,843
Provincial grant - operating	50,545	50,545	318,331
Fees and sales	110,000	127,613	89,458
Interest income	42,000	58,062	33,393
Other income	62,000	113,482	102,522
Total revenue	6,244,144	6,329,302	6,199,738
Expenses: (note 8)			
Council services	1,028,310	949,994	880,729
Local trust committee services	4,759,255	4,558,047	4,667,864
Trust fund services	638,410	612,670	587,341
Total expenses	6,425,975	6,120,711	6,135,934
Annual surplus (deficit)	(181,831)	208,591	63,804
Accumulated surplus, beginning of year	1,695,396	1,695,396	1,631,592
Accumulated surplus, end of year	\$ 1,513,565	\$ 1,903,987	\$ 1,695,396

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

ISLANDS TRUST

Statement of Change in Net Financial Assets

Year ended March 31, 2011, with comparative information for 2010

	Budget (unaudited - note 7)	2011	2010
Annual surplus (deficit)	\$ (181,831)	\$ 208,591	\$ 63,804
Acquisition of tangible capital assets	-	(56,304)	(55,687)
Amortization of tangible capital assets	20,000	64,790	50,180
	(161,831)	217,077	58,297
Use (acquisition) of prepaid expenses	-	(13,922)	28,934
Change in net financial assets	(161,831)	203,155	87,231
Net financial assets, beginning of year	1,527,140	1,527,140	1,439,909
Net financial assets, end of year	\$ 1,365,309	\$ 1,730,295	\$ 1,527,140

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

ISLANDS TRUST

Statement of Cash Flows

Year ended March 31, 2011, with comparative information for 2010

	2011	2010
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 208,591	\$ 63,804
Items not involving cash:		
Amortization of tangible capital assets	64,790	50,180
Change in non-cash operating assets and liabilities:		
Accounts receivable	(50,819)	28,390
Wages and benefits payable	39,053	169,456
Accounts payable and accrued liabilities	56,389	(116,615)
Deferred revenue	111,474	(235,517)
Employee benefit obligations	(11,472)	(2,590)
Cost recovery deposits	22,907	12,133
Prepaid expenses	(13,922)	28,934
Net change in cash from operating activities	426,991	(1,825)
Capital activities:		
Acquisition of tangible capital assets	(51,005)	(9,896)
Net change in cash from capital activities	(51,005)	(9,896)
Financing activities:		
Decrease in obligations under capital leases	(12,473)	(5,720)
Net change in cash from financing activities	(12,473)	(5,720)
Increase (decrease) in cash and cash equivalents	363,513	(17,441)
Cash and cash equivalents, beginning of year	3,045,703	3,063,144
Cash and cash equivalents, end of year	\$ 3,409,216	\$ 3,045,703
Supplemental cash flow information:		
Assets acquired under capital lease	\$ 5,299	\$ 45,791

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

ISLANDS TRUST

Notes to Financial Statements

Year ended March 31, 2011

Islands Trust (the "Trust") is incorporated under the Islands Trust Act of British Columbia (as amended). The object of the Trust is 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.

1. Significant accounting policies:

The financial statements of Islands Trust are prepared by management in accordance with Canadian public sector accounting standards for local governments as recommended by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants. Significant accounting policies adopted by the Trust are as follows:

(a) Reporting entity:

The financial statements include a combination of all the assets, liabilities, revenues, expenses, and changes in fund balances and in financial position of the trust council and the local trust committees.

The Trust occasionally conducts work on behalf of development applicants on a cost-recovery basis. These trust activities are not included in the financial statements.

(b) Basis of accounting:

The Trust follows the accrual method of accounting for revenues and expenses. Revenues are normally recognized in the year in which they are earned and measurable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and/or the creation of a legal obligation to pay.

Government transfers are recognized in the financial statements as revenues in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made.

Revenue unearned in the current period is recorded as deposits or deferred revenue.

(c) Cash and cash equivalents:

Cash and cash equivalents include short-term highly liquid investments with a term to maturity of 90 days or less at acquisition. Investments in the Municipal Finance Authority of British Columbia ("MFA") Bond, Intermediate and Money Market Funds are recorded at cost plus earnings reinvested in the funds.

(d) Employee future benefits:

The Trust and its employees make contributions to the Public Service Pension Plan, which provides benefits directly to employees upon retirement. These contributions are expensed as incurred.

ISLANDS TRUST

Notes to Financial Statements (continued)

Year ended March 31, 2011

1. Significant accounting policies (continued):

(d) Employee future benefits (continued):

A gratuity is also available to employees upon retirement. The cost of this benefit is actuarially determined based on periods of service and best estimates of retirement ages and expected future salary increases. The obligation under this benefit is accrued on projected benefits as the employees render services necessary to earn the future benefit.

(e) Non-financial assets:

Non financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

(i) Tangible capital assets

Tangible capital assets are recorded at cost which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets, excluding land, are amortized on a straight line basis over their estimated useful lives as follows:

Asset	Useful life - years
Furniture and equipment	5
Computers	3
Leasehold improvements	5 - 10

Amortization is charged annually, including in the year of acquisition and disposal. Assets under construction are not amortized until the asset is available for productive use.

Tangible capital assets are written down when conditions indicate that they no longer contribute to the Trust's ability to provide goods and services, or when the value of future economic benefits associated with the asset are less than the book value of the asset.

ISLANDS TRUST

Notes to Financial Statements (continued)

Year ended March 31, 2011

1. Significant accounting policies (continued):

(e) Non-financial assets (continued):

(ii) Contributions of tangible capital assets

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and also are recorded as revenue.

(iii) Works of art and historical treasures

Works of art and historical treasures are not recorded as assets in these financial statements.

(iv) Interest capitalization

The Trust does not capitalize interest costs associated with the acquisition or construction of a tangible capital asset.

(v) Leased tangible capital assets

Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as leased tangible capital assets. All other leases are accounted for as operating leases and the related payments are charged to expenses as incurred.

(f) Use of estimates:

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Significant estimates include assumptions used in estimating provisions for accrued liabilities, performing actuarial valuations of employee future benefits and estimating historical cost and useful lives of tangible capital assets. Actual results could differ from these estimates.

ISLANDS TRUST

Notes to Financial Statements (continued)

Year ended March 31, 2011

2. Cash and cash equivalents:

	2011	2010
Bank account balances	\$ 760,409	\$ 601,148
MFA Bond Fund	1,690,695	659,950
MFA Intermediate Fund	855,029	1,784,231
MFA Money Market Fund	103,083	374
	<u>\$ 3,409,216</u>	<u>\$ 3,045,703</u>

3. Employee benefit obligations:

The Trust provides sick leave and certain other benefits to its employees.

	2011	2010
Vacation	\$ 96,115	\$ 101,175
Compensatory time off	25,518	30,586
Accrued retirement allowance	84,346	85,690
	<u>\$ 205,979</u>	<u>\$ 217,451</u>

Vacation and compensatory time off represent the liability for accumulated banks for draw down at future dates and/or for payout either on an approved retirement, or upon termination or death. Accrued retirement allowance represents the Trust's share of the cost to provide employees with certain retirement allowances in the year of retirement, which were estimated by an actuarial valuation.

The significant actuarial assumptions used in measuring the Trust's accrued retirement allowance are as follows:

	2011	2010
Discount rate for present value of future benefits	6.75%	6.00%
Expected future inflation rates	3.00%	3.00%
Expected wage and salary increases	2.00%	2.00% - 3.00%

ISLANDS TRUST

Notes to Financial Statements (continued)

Year ended March 31, 2011

3. Employee benefit obligations (continued):

Other pension plans

The Trust and its employees makes contributions to the Public Service Pension Plan (the "Plan"), a jointly trustee pension plan. The Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the Plan, including investment of the assets and administration of benefits. The pension plan is a multi-employer contributory pension plan. Basic pension benefits provided are defined. The Plan has about 51,000 active members and approximately 30,000 retired members.

Every three years an actuarial valuation is performed to assess the financial position of the Plan and adequacy of Plan funding. The most recent valuation as at March 31, 2008 indicated an unfunded liability of \$487,000,000 for basic pension benefits. The next valuation will be as at March 31, 2011, with results available in 2012. The actuary does not attribute portions of the unfunded liability to individual employers. Employee and employer contributions to the plan were increased by 0.15% of salaries effective April 1, 2009 in accordance with the plan actuary's recommendations. Contributions to the plan by the Trust totaled \$241,889 (2010 - \$219,900) during the year.

4. Obligations under capital leases:

The amounts due for obligations under capital leases are as follows:

	2011
2012	\$ 13,050
2013	12,200
2014	11,346
2015	10,492
2016	2,984
Total minimum lease payments	50,072
Less amounts representing interest (at rates ranging from 2.25% to 6.25%)	5,483
Present value of net minimum capital lease payments	\$ 44,589

Interest of \$1,669 (2010 - \$875) relating to capital lease obligations has been included in expenses on the statement of operations.

ISLANDS TRUST

Notes to Financial Statements (continued)

Year ended March 31, 2011.

5. Tangible capital assets:

	Denman Island Site	Furniture and equipment	Computers	Leasehold improvements	Total 2011	Total 2010
Cost:						
Balance, beginning of year	\$ 10,000	\$ 95,319	\$ 58,255	\$ 225,468	\$ 389,042	\$ 333,355
Additions	-	5,299	44,786	6,219	56,304	55,687
Balance, end of year	10,000	100,618	103,041	231,687	445,346	389,042
Accumulated amortization:						
Balance, beginning of year	10,000	31,470	41,502	138,771	221,743	171,563
Amortization expense	-	17,441	22,295	25,054	64,790	50,180
Balance, end of year	10,000	48,911	63,797	163,825	286,533	221,743
Net book value, end of year	\$ -	\$ 51,707	\$ 39,244	\$ 67,862	\$ 158,813	\$ 167,299

Contributed tangible capital assets:

Contributed capital assets have been recognized at fair market value at the date of contribution. The value of contributed assets received during the year is \$nil (2010 - \$nil).

In fiscal 1994, the Denman Island Ratepayers' Association donated \$10,000 which was used by the Trust to purchase the Denman Island Old School Site from School District #71. The Trust agreed to facilitate the sale of the school site between School District #71 and the Ratepayers' Association and to hold title to the property on behalf of the community. The Denman Island Ratepayers' Association has leased the building on the site from the Trust for 99 years for a total fee of \$10.

6. Accumulated surplus:

Accumulated surplus consists of:

	2011	2010
Invested in tangible capital assets	\$ 114,224	\$ 115,536
General Revenue Fund	1,789,763	1,579,860
	\$ 1,903,987	\$ 1,695,396

ISLANDS TRUST

Notes to Financial Statements (continued)

Year ended March 31, 2011

7. Budget data:

The unaudited budget data presented in these financial statements is based upon the 2011 operating budget approved by Trust Council. The following reconciles the approved budget to the budget figures reported in these financial statements.

	Budget amount
Operating budget:	
Revenue	\$ 6,425,975
Less appropriation from surplus	(181,831)
	6,244,144
Expenses	6,425,975
Annual deficit	\$ (181,831)

8. Classification of expenses by object:

	2011	2010
Staff salaries and benefits	\$ 3,653,619	\$ 3,496,406
Traveling/training and recruitment	186,975	158,543
Council and trustee costs	597,521	596,201
Office operations	900,987	935,889
Programs	460,042	553,561
Legal	255,189	345,154
Elections	1,588	-
Amortization	64,790	50,180
Total expenses by object	\$ 6,120,711	\$ 6,135,934

ISLANDS TRUST

Notes to Financial Statements (continued)

Year ended March 31, 2011

9. Commitments:

(i) Minimum annual lease payments

The Trust is committed to leases for rented premises. Minimum future payments in the next five years are as follows:

2012	\$	243,142
2013		89,649
2014		88,868
2015		84,864
2016		84,864

(ii) Contracts

At March 31, 2011, the following major contracts were incomplete:

	Total contract value	Amount remaining
Gulf Islands Film and Television School	\$ 20,000	\$ 20,000
ME Kelly Consulting	22,688	13,943
Murdoch de Greef Inc.	43,569	43,569
C. Ferris TFB Covenant Monitoring	20,868	20,868
Other	41,940	13,013

Other contracts include five contracts with values ranging between \$6,720 and \$10,000.

Of the amount remaining listed above, \$63,569 will be funded from deferred revenues. All contracts are due for completion within one year of March 31, 2011.

10. Contingent liabilities:

In the normal course of a year, claims for alleged damages are made against the Trust. Costs, if any, are recorded when a liability is likely and reasonably determinable.

ISLANDS TRUST

Notes to Financial Statements (continued)

Year ended March 31, 2011

11. Trust activities:

(i) Trust Fund under administration

The Trust administers The Islands Trust Fund (the "Fund") which is related through the composition of the Fund's Board. The Fund is empowered to accept donations, grants and bequests on behalf of the Trust and to hold land and other property in compliance with a plan approved by the Ministry of Community, Sport and Cultural Development. The Fund's Board is comprised of three members from Trust Council and up to three members appointed by the Minister of Community, Sport and Cultural Development.

For financial reporting purposes, the Trust and the Fund are reported on separately. These financial statements present the financial position and results of operations of the Trust.

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

	2011	2010
Programs	\$ 464,117	\$ 443,480
Board	15,638	17,355
Administration	132,915	126,506
	\$ 612,670	\$ 587,341

(ii) Third party trust funds:

The Trust administers trust activities on behalf of development applicants on a cost-recovery basis. The activities are as follows:

	2011	2010
Cash received during the year	\$ 52,759	\$ 21,322
Cash paid during the year	29,852	9,189

The net payable from development applicants of \$34,007 (2010 - \$11,100) is reported as a liability on the Statement of Financial Position.

12. Comparative information:

Certain comparative information has been reclassified to conform with the financial statement presentation adopted for the current year.

