

Financial Statements of

ISLANDS TRUST

Year ended March 31, 2021

ISLANDS TRUST

Financial Statements

Year ended March 31, 2021

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 generally accepted accounting standards for local governments as established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. 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 Administrative Officer



Director of Administration Services



KPMG LLP
St. Andrew's Square II
800-730 View Street
Victoria BC V8W 3Y7
Canada
Telephone 250-480-3500
Fax 250-480-3539

INDEPENDENT AUDITORS' REPORT

To the Trustees of Islands Trust and the Minister of Municipal Affairs and Housing

Opinion

We have audited the financial statements of Islands Trust which comprise:

- the statement of financial position as at March 31, 2021
- the statement of operations for the year then ended
- the statement of change in net financial assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Islands Trust as at March 31, 2021, and its results of operations, its changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "**Auditors' Responsibilities for the Audit of the Financial Statements**" section of our auditors' report.

We are independent of the Entity 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 opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing Island 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 Islands Trust or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Island Trust's financial reporting process.



Auditors' 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 auditors' 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 the 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 Islands 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 Island 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 auditors' 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 auditors' report. However, future events or conditions may cause Islands 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.
- 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

Victoria, Canada
September 20, 2021

ISLANDS TRUST

Statement of Financial Position

March 31, 2021, with comparative information for 2020

	2021	2020
Financial assets:		
Cash and cash equivalents (note 2)	\$ 4,806,743	\$ 1,092,028
Accounts receivable	208,046	243,553
Investments (note 3)	-	2,930,428
	<u>5,014,789</u>	<u>4,266,009</u>
Liabilities:		
Accounts payable and accrued liabilities	776,043	447,260
Wages and benefits payable	1,418,674	1,318,019
Deferred revenue	159,144	32,387
Employee benefit obligations (note 4)	251,349	189,781
Obligations under capital leases (note 5)	31,555	43,727
Cost recovery deposits (note 13(b))	19,290	4,029
	<u>2,656,055</u>	<u>2,035,203</u>
Net financial assets	2,358,734	2,230,806
Non-financial assets:		
Tangible capital assets (note 6)	403,190	501,281
Prepaid expenses	165,919	150,836
	<u>569,109</u>	<u>652,117</u>
Commitments (note 11)		
Contingent liabilities (note 12)		
Accumulated surplus (note 7)	\$ 2,927,843	\$ 2,882,923

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

Approved by the Trust Council:



Peter Luckham, Trustee



Peter Groye, Trustee

ISLANDS TRUST

Statement of Operations

Year ended March 31, 2021, with comparative information for 2020

	Budget (note 9)	2021	2020
Revenue:			
Property tax - general	\$ 6,783,140	\$ 6,783,141	\$ 6,696,752
Property tax levy - Bowen Island municipality	303,021	303,026	329,634
Property tax - special requisition	75,500	75,500	98,500
Government transfers (note 8)	180,000	397,000	193,201
Fees and sales	115,000	168,378	102,051
Interest income	85,000	22,054	102,281
Other income	12,000	3,688	161,853
Total revenue	7,553,661	7,752,787	7,684,272
Expenses (note 10):			
Council services	1,350,007	1,165,825	1,217,690
Local trust committee services	5,953,425	5,602,994	5,691,915
Trust conservancy services (note 13)	891,379	939,048	763,014
Total expenses	8,194,811	7,707,867	7,672,619
Annual surplus	(641,150)	44,920	11,653
Accumulated surplus, beginning of year	2,882,923	2,882,923	2,871,270
Accumulated surplus, end of year	\$ 2,241,773	\$ 2,927,843	2,882,923

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

ISLANDS TRUST

Statement of Change in Net Financial Assets

Year ended March 31, 2021, with comparative information for 2020

	Budget (note 9)	2021	2020
Annual surplus	\$ (641,150)	\$ 44,920	\$ 11,653
Acquisition of tangible capital assets	-	(85,982)	(288,451)
Acquisition of leased tangible capital assets	-	(4,687)	-
Amortization of tangible capital assets	140,000	188,760	174,759
Loss on disposal of capital assets	-	-	570
	(501,150)	143,011	(101,469)
Acquisition of prepaid expenses	-	(15,083)	(51,790)
Change in net financial assets	(501,150)	127,928	(153,259)
Net financial assets, beginning of year	2,230,806	2,230,806	2,384,065
Net financial assets, end of year	\$ 1,729,656	\$ 2,358,734	\$ 2,230,806

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

ISLANDS TRUST

Statement of Cash Flows

Year ended March 31, 2021, with comparative information for 2020

	2021	2020
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 44,920	\$ 11,653
Items not involving cash:		
Amortization of tangible capital assets	188,760	174,759
Loss on disposal of tangible capital assets	-	570
Changes in non-cash operating assets and liabilities:		
Accounts receivable	35,507	(178,917)
Wages and benefits payable	100,655	134,056
Accounts payable and accrued liabilities	328,783	(18,574)
Deferred revenue	126,757	3,226
Employee benefit obligations	61,568	53,575
Cost recovery deposits	15,261	(23,148)
Prepaid expenses	(15,083)	(51,790)
Net change in cash from operating activities	887,128	105,410
Capital activities:		
Acquisition of tangible capital assets	(85,982)	(288,451)
Investing activities:		
Redemption of (purchase of) investments	2,930,428	(181,040)
Financing activities:		
Principal payments on obligations under capital leases	(16,859)	(16,943)
Change in cash and cash equivalents	3,714,715	(381,024)
Cash and cash equivalents, beginning of year	1,092,028	1,473,052
Cash and cash equivalents, end of year	\$ 4,806,743	\$ 1,092,028
Supplemental cash flow information:		
Assets acquired under capital lease	\$ 4,687	\$ -

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

ISLANDS TRUST

Notes to Financial Statements

Year ended March 31, 2021

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.

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. The pandemic impacted the Trust’s operations resulting in a decrease in certain types of revenue, and changes in expenses and cash flows.

1. Significant accounting policies:

The financial statements of Islands Trust are prepared by management in accordance with Canadian public sector accounting principles for local governments as recommended by the Public Sector Accounting Board (“PSAB”) of the Chartered Professional Accountants of Canada. 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.

(i) Consolidated entities:

The Trust does not control any significant external entities and accordingly no entities have been consolidated with the financial statements.

(ii) Funds held in trust:

The Trust administers operations of The Islands Trust Conservancy. The annual expenses of The Islands Trust Conservancy are reported by the Trust in accordance with The Islands Trust Act (note 13).

(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.

ISLANDS TRUST

Notes to Financial Statements

Year ended March 31, 2021

1. Significant accounting policies (continued):

(c) Revenue recognition:

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, except when and to the extent that the transfer gives rise to an obligation that meets the definition of a liability under section PS 3200 of public sector accounting standards.

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

Tax revenue is recognized on an accrual basis.

(d) 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.

(e) Investment income:

Investment income is reported as revenue in the period earned. When required by the funding government or related Act, investment income earned on restricted funds is added to the investment and forms part of the deferred revenue balance.

(f) 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.

A gratuity is also available to employees upon retirement. The cost of this benefit is paid by the Public Service Pension Plan.

(g) Liability for contaminated sites:

A liability for contaminated sites is recognized when a site is not in productive use and the following criteria are met:

- (i) an environmental standard exists;
- (ii) contamination exceeds the environmental standard;
- (iii) the Trust is directly responsible or accepts responsibility;
- (iv) it is expected that future economic benefits will be given up; and
- (v) a reasonable estimate of the amount can be made.

The liability is recognized as management's estimate of the cost of post-remediation including operation, maintenance and monitoring that are an integral part of the remediation strategy for a contaminated site.

ISLANDS TRUST

Notes to Financial Statements

Year ended March 31, 2021

1. Significant accounting policies (continued):

(h) 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	lesser of remaining term of the lease and useful life

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.

The Islands Trust is fortunate to have, and to be mandated to protect, many natural assets in the Trust Area that reduce the need for engineered infrastructure that might otherwise be required by other government agencies to provide various services to the islands. This includes island aquifers (water storage and filtration); streams, ditches and wetlands (rain water management); forests (carbon sequestration); and foreshore areas (natural seawalls). Canadian public sector accounting standards do not provide for the valuation and recording of such assets in the financial statements. As such, these natural assets are not reported in these financial statements. Nevertheless, the Trust acknowledges the importance of these assets and the need to manage them in conjunction with engineered infrastructure that is managed by other government agencies.

(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.

ISLANDS TRUST

Notes to Financial Statements

Year ended March 31, 2021

1. Significant accounting policies (continued):

(h) Non-financial assets (continued):

(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.

(i) 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. Estimates include assumptions used in estimating provisions for accrued liabilities. Actual results could differ from these estimates.

2. Cash and cash equivalents:

	2021	2020
Bank account balances	\$ 4,806,743	\$ 1,092,028

3. Investments:

There are no investments held at March 31, 2021. At March 31, 2020, investments consisted of guaranteed investment certificates with a cost plus accrued interest that approximated market value. The stated interest rates were 2.16% and the maturity dates ranged from April 2020 to August 2020.

ISLANDS TRUST

Notes to Financial Statements

Year ended March 31, 2021

4. Employee benefit obligations:

	2021	2020
Vacation pay	\$ 206,998	\$ 154,612
Compensatory time off	44,351	35,169
	\$ 251,349	\$ 189,781

Vacation pay and compensatory time off represent the liability for accumulated banks for draw down at future dates and/or for payout on approved retirement, or upon termination or death.

Other pension plans:

The Trust and its employees contribute to the Public Service Pension Plan (a jointly trustee pension plan). The Public Service Pension Board of Trustees, representing plan members and employers, is responsible for administering the plan, including investment of assets and administration of benefits. The plan is a multi-employer defined benefit pension plan. Basic pension benefits are based on a formula. As at March 31, 2020, the plan has about 67,000 active members and approximately 51,000 retired members.

Every three years, an actuarial valuation is performed to assess the financial position of the plan and adequacy of plan funding. The actuary determines an appropriate combined employer and member contribution rate to fund the plan. The actuary's calculated contribution rate is based on the entry-age normal cost method, which produces the long-term rate of member and employer contributions sufficient to provide benefits for average future entrants to the plan. This rate is then adjusted to the extent there is amortization of any funding deficit.

The latest actuarial valuation as at March 31, 2020, indicated a funding surplus of \$2,667 million for basic pension benefits on a going concern basis. The next valuation will be as at March 31, 2023. Employers participating in the plan record their pension expense as the amount of employer contributions made during the fiscal year (defined contribution pension plan accounting). This is because the plan records accrued liabilities and accrued assets for the plan in aggregate, resulting in no consistent and reliable basis for allocating the obligation, assets and cost to individual employers participating in the plan.

The Trust paid \$350,126 (2020 - \$339,085) for employer contributions to the plan in fiscal 2021.

ISLANDS TRUST

Notes to Financial Statements

Year ended March 31, 2021

5. Obligations under capital leases:

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

2022	\$	15,446
2023		15,446
2024		4,166
2025		1,056
Total minimum lease payments		36,114
Less amounts representing interest (at rates ranging from 4.70% to 5.20%)		4,559
Present value of net minimum capital lease payments		\$ 31,555

Interest of \$2,366 (2020 - \$2,367) relating to capital lease obligations has been included in expenses on the statement of operations.

6. Tangible capital assets:

	Denman Island Site	Furniture and equipment	Computers	Leasehold improvements	Total 2021	Total 2020
Cost:						
Balance, beginning of year	\$ 10,000	\$ 249,552	\$ 266,804	\$ 386,975	\$ 913,331	\$ 651,850
Additions	-	4,687	85,982	-	90,669	288,451
Disposals	-	(5,213)	-	-	(5,213)	(26,970)
Balance, end of year	10,000	249,026	352,786	386,975	998,787	913,331
Accumulated amortization:						
Balance, beginning of year	10,000	147,668	178,486	75,896	412,050	263,691
Additions	-	37,591	73,287	77,882	188,760	174,759
Disposals	-	(5,213)	-	-	(5,213)	(26,400)
Balance, end of year	10,000	180,046	251,773	153,778	595,597	412,050
Net book value, end of year	\$ -	\$ 68,980	\$ 101,013	\$ 233,197	\$ 403,190	\$ 501,281

Contributed tangible capital assets:

There were no contributed assets received during 2021 or 2020.

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.

ISLANDS TRUST

Notes to Financial Statements

Year ended March 31, 2021

6. Tangible capital assets (continued):

Included in tangible capital assets is assets under capital leases with a net book value of \$31,790 (2020 - \$43,712).

7. Accumulated surplus:

Accumulated surplus consists of:

	2021	2020
Invested in tangible capital assets	\$ 371,636	\$ 457,554
General Revenue Fund	2,370,288	2,218,831
Local Trust Committee Project Specific Reserve Fund	92,889	121,272
Special property tax requisition fund	93,030	85,266
	<u>\$ 2,927,843</u>	<u>\$ 2,882,923</u>

8. Government transfers:

Government transfers recorded as revenue on the statement of operations are comprised of:

	2021	2020
Provincial operating grant	\$ 180,000	\$ 180,000
Provincial restricted grant	30,000	-
Federal restricted grant	187,000	-
Salt Spring Island Water Protection Project	-	7,672
Transport Canada	-	2,772
Other	-	2,757
	<u>\$ 397,000</u>	<u>\$ 193,201</u>

ISLANDS TRUST

Notes to Financial Statements

Year ended March 31, 2021

9. Budget data:

The budget data presented in these financial statements is based upon the 2021 operating budget approved by Trust Council on April 20, 2020. The following reconciles the approved budget to the budget figures reported in these financial statements.

	Budget amount
Operating budget:	
Revenue	\$ 8,054,811
Less appropriation from surplus	(501,150)
	7,553,661
Expenses	8,054,811
Plus amortization expense	140,000
	8,194,811
Annual deficit	\$ (641,150)

10. Classification of expenses by object:

	2021	2020
Staff salaries and benefits	\$ 4,848,823	\$ 4,803,756
Traveling/training and recruitment	46,386	183,064
Council and trustee costs	743,057	892,660
Elections	-	61
Office operations	972,074	976,337
Programs	597,481	370,836
Legal	311,286	270,006
Amortization	188,760	175,329
Loss on disposal of assets	-	570
	\$ 7,707,867	\$ 7,672,619

ISLANDS TRUST

Notes to Financial Statements

Year ended March 31, 2021

11. Commitments:

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

2022	\$ 320,699
2023	298,392
2024	241,568
2025	117,642
2026	-

12. Contingent liabilities:

In the normal course of operations, claims for alleged damages are made against the Trust. The Trust records an accrual in respect of legal claims that are likely to be successful and for which a liability amount is reasonably determinable. The remaining claims, should they be successful as a result of litigation, will be recorded when a liability is likely and determinable. The Trust is covered through an independent insurance program against certain claims.

13. Trust activities:

(a) Trust Conservancy:

The Trust pays the administration expenses of The Islands Trust Conservancy (the "Conservancy") which is related through the composition of the Conservancy's Board. The Conservancy is empowered to accept donations, grants and bequests and to hold land and other property in compliance with a plan approved by the Ministry of Municipal Affairs and Housing. The Conservancy's Board is comprised of three members from Trust Council and up to three members appointed by the Minister of Municipal Affairs and Housing.

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

The Conservancy'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:

	2021	2020
Operations and Property Management	\$ 701,124	\$ 527,344
Board	5,378	19,043
Administration	232,546	216,627
	\$ 939,048	\$ 763,014

ISLANDS TRUST

Notes to Financial Statements

Year ended March 31, 2021

13. Trust activities (continued):

(b) Cost-recoveries:

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

	2021	2020
Cash received during the year	\$ 32,550	\$ 58,025
Cash paid during the year	17,289	81,173

The net payable from development applicants of \$19,290 (2020 - \$4,029) is included in cost recoveries on the statement of financial position.