

Financial Statements of

# **ISLANDS TRUST**

Year ended March 31, 2023

# ISLANDS TRUST

Financial Statements

Year ended March 31, 2023

## 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 Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Trust's financial statements.

  
\_\_\_\_\_  
Chief Administrative Officer

  
\_\_\_\_\_  
Director, Administrative Services



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## INDEPENDENT AUDITOR'S REPORT

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

### **Opinion**

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

- the statement of financial position as at March 31, 2023
- 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, 2023, 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 "**Auditor's Responsibilities for the Audit of the Financial Statements**" section of our auditor's 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.



### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of 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 auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause 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 27, 2023

# ISLANDS TRUST

## Statement of Financial Position

March 31, 2023, with comparative information for 2022

	2023	2022
<b>Financial assets:</b>		
Cash and cash equivalents (note 2)	\$ 1,750,989	\$ 3,558,169
Accounts receivable	301,396	192,573
Investments (note 3)	2,670,862	1,202,607
	<u>4,723,247</u>	<u>4,953,349</u>
<b>Liabilities:</b>		
Accounts payable and accrued liabilities	737,364	900,909
Wages and benefits payable	1,397,218	1,450,243
Deferred revenue	226,282	203,591
Employee benefit obligations (note 4)	233,999	281,672
Obligations under capital leases (note 5)	43,837	18,071
Cost recovery deposits (note 13(b))	2,996	763
	<u>2,641,696</u>	<u>2,855,249</u>
Net financial assets	2,081,551	2,098,100
<b>Non-financial assets:</b>		
Tangible capital assets (note 6)	237,000	286,953
Prepaid expenses	208,318	178,779
	<u>445,318</u>	<u>465,732</u>
Commitments (note 11)		
Contingent liabilities (note 12)		
<b>Accumulated surplus</b> (note 7)	<u>\$ 2,526,869</u>	<u>\$ 2,563,832</u>

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

Approved by the Trust Council:



Peter Luckham, Trust Council Chair



Joe Bernardo, Audit Committee Chair

# ISLANDS TRUST

## Statement of Operations

Year ended March 31, 2023, with comparative information for 2022

	Budget (note 9)	2023	2022
Revenue:			
Property tax - general	\$ 7,309,863	\$ 7,309,863	\$ 7,079,772
Property tax levy - Bowen Island municipality	323,769	323,769	311,188
Property tax - special requisition	60,000	60,000	75,500
Government transfers (note 8)	760,500	711,724	690,627
Fees and sales	264,724	199,570	117,488
Interest income	20,001	168,943	11,914
Other income	-	450	33,779
Total revenue	8,738,857	8,774,319	8,320,268
Expenses (note 10):			
Council services	1,529,806	1,524,852	1,373,658
Local trust committee services	6,635,424	6,111,543	6,176,850
Trust conservancy services (note 13)	1,137,127	1,174,887	1,133,771
Total expenses	9,302,357	8,811,282	8,684,279
Annual deficit	(563,500)	(36,963)	(364,011)
Accumulated surplus, beginning of year	2,563,832	2,563,832	2,927,843
Accumulated surplus, end of year	\$ 2,000,332	\$ 2,526,869	\$ 2,563,832

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

# ISLANDS TRUST

## Statement of Change in Net Financial Assets

Year ended March 31, 2023, with comparative information for 2022

	Budget	2023	2022
	(note 9)		
Annual deficit	\$ (485,800)	\$ (36,963)	\$ (364,011)
Acquisition of tangible capital assets	(77,700)	(83,248)	(66,514)
Acquisition of leased tangible capital assets	-	(44,136)	-
Amortization of tangible capital assets	168,000	172,246	182,751
Loss on disposal of capital assets	-	5,091	-
	(395,500)	12,990	(247,774)
Acquisition of prepaid expenses	-	(29,539)	(12,860)
Change in net financial assets	(395,500)	(16,549)	(260,634)
Net financial assets, beginning of year	2,098,100	2,098,100	2,358,734
Net financial assets, end of year	\$ 1,702,600	\$ 2,081,551	\$ 2,098,100

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

# ISLANDS TRUST

## Statement of Cash Flows

Year ended March 31, 2023, with comparative information for 2022

	2023	2022
Cash provided by (used in):		
<b>Operating activities:</b>		
Annual deficit	\$ (36,963)	\$ (364,011)
Items not involving cash:		
Amortization of tangible capital assets	172,246	182,751
Loss (gain) on disposal of tangible capital assets	5,091	-
Extinguishing of obligations under capital lease	(5,712)	-
Changes in non-cash operating assets and liabilities:		
Accounts receivable	(108,823)	15,473
Wages and benefits payable	(149,938)	31,569
Accounts payable and accrued liabilities	(66,632)	124,866
Deferred revenue	22,691	44,447
Employee benefit obligations	(47,673)	30,323
Cost recovery deposits	2,233	(18,527)
Prepaid expenses	(29,539)	(12,860)
Net change in cash from operating activities	(243,019)	34,031
<b>Capital activities:</b>		
Acquisition of tangible capital assets	(83,248)	(66,514)
<b>Investing activities:</b>		
Purchase of investments	(1,468,255)	(1,202,607)
<b>Financing activities:</b>		
Principal payments on obligations under capital leases	(12,658)	(13,484)
Change in cash and cash equivalents	(1,807,180)	(1,248,574)
Cash and cash equivalents, beginning of year	3,558,169	4,806,743
Cash and cash equivalents, end of year	\$ 1,750,989	\$ 3,558,169
Supplemental cash flow information:		
Assets acquired under capital lease	\$ (44,136)	\$ -

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

# ISLANDS TRUST

## Notes to Financial Statements

Year ended March 31, 2023

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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.

### 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, 2023

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## 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) Financial instruments:

A contract establishing a financial instrument creates, at its inception, rights and obligations to receive or deliver economic benefits. The financial assets and financial liabilities portray these rights and obligations in the financial statements. The Trust recognizes a financial instrument when it becomes a party to a financial instrument contract.

Financial instruments consist of cash and cash equivalents, accounts receivable, investments, accounts payable and accrued liabilities and wages and benefits payable.

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.

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.

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.

# ISLANDS TRUST

Notes to Financial Statements

Year ended March 31, 2023

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## 1. Significant accounting policies (continued):

### (e) 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.

### (f) 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.

### (g) 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.

### (h) Asset retirement obligations:

An asset retirement obligation is recognized when, as at the financial reporting date, all of the following criteria are met:

- (i) There is a legal obligation to incur retirement costs in relation to a tangible capital asset;
- (ii) The past transaction or event giving rise to the liability has occurred;
- (iii) It is expected that future economic benefits will be given up; and
- (iv) A reasonable estimate of the amount can be made.

As of March 31, 2023 no asset retirement obligations have been identified for the Trust and as such no liability has been recognized.

### (i) 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.

# ISLANDS TRUST

## Notes to Financial Statements

Year ended March 31, 2023

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

(i) Liability for contaminated sites (continued):

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.

(j) 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

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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.

# ISLANDS TRUST

Notes to Financial Statements

Year ended March 31, 2023

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## 1. Significant accounting policies (continued):

### (j) 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.

### (k) 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, fair value of financial instruments and asset retirement obligations. Actual results could differ from these estimates.

### (l) Change in accounting policies:

On April 1, 2022 the Trust adopted Canadian public sector accounting standard PS 3280 *Asset Retirement Obligations*. The new accounting standard addresses the reporting of legal obligations associated with the retirement of certain tangible capital assets, such as asbestos removal in buildings by public sector entities. The standard was adopted on a prospective basis at the date of adoption resulting in no changes to accumulated surplus or annual surplus for comparative years presented. No asset retirement obligations were recognized by the Trust as a result of implementation of this new standard.

# ISLANDS TRUST

## Notes to Financial Statements

Year ended March 31, 2023

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

#### (l) Change in accounting policies (continued):

On April 1, 2022 the Trust adopted Canadian public sector accounting standards PS 3450 *Financial Instruments* and PS 2601 *Foreign Currency Translation*. The standards were adopted prospectively from the date of adoption. The new standards provide comprehensive requirements for the recognition, measurement, presentation and disclosure of financial instruments and foreign currency transactions. All financial instruments are included on the statement of financial position and are measured at amortized cost. There were no adjustments to accumulated surplus at April 1, 2022 or financial assets and liabilities for the year ended March 31, 2023 as a result of the adoption of PS 2601 and PS3450.

### 2. Cash and cash equivalents:

	2023	2022
Bank account balances	\$ 1,750,989	\$ 1,962,503
Short-term GICs	-	1,595,666
	\$ 1,750,989	\$ 3,558,169

### 3. Investments:

At March 31, 2023, investments consisted of guaranteed investment certificates with a cost plus accrued interest that approximated market value. The stated interest rates ranged from 4.35% to 5.05% with maturity dates ranging from September 2023 to February 2024.

### 4. Employee benefit obligations:

	2023	2022
Vacation pay	\$ 177,343	\$ 230,882
Compensatory time off	56,656	50,790
	\$ 233,999	\$ 281,672

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.

# ISLANDS TRUST

Notes to Financial Statements

Year ended March 31, 2023

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## 4. Employee benefit obligations (continued):

### 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, 2022, the plan has about 68,000 active members and approximately 54,000 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 with results available later in 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 \$365,419 (2022 - \$382,903) for employer contributions to the plan in fiscal 2023.

## 5. Obligations under capital leases:

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

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2024	\$ 11,356
2025	11,008
2026	9,804
2027	9,804
2028	11,141
2029	1,872
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Total minimum lease payments	54,985
Less amounts representing interest (at rates ranging from 4.70% to 8.45%)	11,148
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Present value of net minimum capital lease payments	\$ 43,837

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# ISLANDS TRUST

## Notes to Financial Statements

Year ended March 31, 2023

### 5. Obligations under capital leases (continued):

Interest of \$2,204 (2022 - \$1,962) 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 2023	Total 2022
<b>Cost:</b>						
Balance, beginning of year	\$ 10,000	\$ 249,026	\$ 315,869	\$ 386,975	\$ 961,870	\$ 998,787
Additions	-	46,460	80,924	-	127,384	66,514
Disposals	-	(155,036)	-	-	(155,036)	(103,431)
Balance, end of year	10,000	140,450	396,793	386,975	934,218	961,870
<b>Accumulated amortization:</b>						
Balance, beginning of year	10,000	212,131	221,828	230,958	674,917	595,597
Additions	-	24,107	72,389	75,750	172,246	182,751
Disposals	-	(149,945)	-	-	(149,945)	(103,431)
Balance, end of year	10,000	86,293	294,217	306,708	697,218	674,917
Net book value, end of year	\$ -	\$ 54,157	\$ 102,576	\$ 80,267	\$ 237,000	\$ 286,953

#### Contributed tangible capital assets:

There were no contributed assets received during 2023 or 2022.

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.

Included in tangible capital assets is assets under capital leases with a net book value of \$43,837 (2022 - \$18,071).

# ISLANDS TRUST

## Notes to Financial Statements

Year ended March 31, 2023

### 7. Accumulated surplus:

Accumulated surplus consists of:

	2023	2022
Invested in tangible capital assets	\$ 193,163	\$ 268,882
General Revenue Fund	2,190,140	2,091,376
Local Trust Committee Project Specific Reserve Fund	102,751	105,867
Special property tax requisition fund	40,815	97,707
	<u>\$ 2,526,869</u>	<u>\$ 2,563,832</u>

### 8. Government transfers:

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

	2023	2022
Provincial operating grant	\$ 228,000	\$ 180,000
Provincial restricted grant	49,246	248,618
Federal restricted grant	238,500	242,500
Transportation Canada	2,121	-
Other	193,857	19,509
	<u>\$ 711,724</u>	<u>\$ 690,627</u>

### 9. Budget data:

The budget data presented in these financial statements is based upon the 2023 operating budget approved by Trust Council on April 20, 2022. The following reconciles the approved budget to the budget figures reported in these financial statements.

	Budget amount
Operating budget:	
Revenue	\$ 9,134,357
Less appropriation from surplus	395,500
	<u>8,738,857</u>
Expenses	9,134,357
Plus amortization expense	168,000
	<u>9,302,357</u>
Annual deficit	<u>\$ (563,500)</u>

# ISLANDS TRUST

Notes to Financial Statements

Year ended March 31, 2023

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## 10. Classification of expenses by object:

	2023	2022
Staff salaries and benefits	\$ 5,221,815	\$ 5,342,092
Traveling/training and recruitment	155,198	68,321
Council and trustee costs	907,609	798,765
Elections	157,631	-
Office operations	997,722	1,001,408
Programs	835,059	1,035,255
Legal	358,911	255,687
Amortization	172,246	182,751
Loss on disposal of assets	5,091	-
	<hr/>	<hr/>
	\$ 8,811,282	\$ 8,684,279

## 11. Commitments:

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

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2024	\$ 331,601
2025	143,933
2026	-
2027	-
2028	-

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## 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.

# ISLANDS TRUST

Notes to Financial Statements

Year ended March 31, 2023

## 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. The Conservancy's Board is comprised of three members from Trust Council and up to three members appointed by the Minister of Municipal Affairs.

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. Amounts owing from the Conservancy were \$71,061 (2022 - \$88,174).

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:

	2023	2022
Operations and Property Management	\$ 884,981	\$ 876,595
Board	10,725	8,503
Administration	279,181	248,673
	<u>\$ 1,174,887</u>	<u>\$ 1,133,771</u>

### (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:

	2023	2022
Cash received during the year	\$ 21,652	\$ 15,796
Cash paid during the year	19,418	34,323

The net payable from development applicants of \$2,996 (2022 - \$763) is included in cost recoveries on the statement of financial position.

# ISLANDS TRUST

Notes to Financial Statements

Year ended March 31, 2023

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## 14. Financial risks and concentration of risk:

The Trust has exposure to the following risks from its use of financial instruments: credit risk, market risk and liquidity risk. The Trust has established policies to identify risks and ensure that management monitors and controls them.

### (a) Credit risk:

Credit risk is the risk of financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Such risks arise principally from certain financial assets held consisting of cash, amounts receivable and investments.

The Trust is exposed to credit risk in the event of non-performance by a debtor. This risk is mitigated as most amounts receivable are due from the Province and are collectible.

It is management's opinion that the Trust is not exposed to significant credit risk associated with its cash deposits and investments as they are placed in recognized British Columbia institutions and the Trust invests solely in guaranteed investment certificates.

### (b) Market risk:

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of currency risk and interest rate risk.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the foreign exchange rates. It is management's opinion that the Trust is not exposed to significant currency risk, as amounts held and purchases made in foreign currency are insignificant.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market interest rates. It is management's opinion that the Trust is not exposed to significant interest rate risk as it invests solely in guaranteed investment certificates with fixed interest rates.

### (c) Liquidity risk:

Liquidity risk is the risk that the Trust will not be able to meet its financial obligations as they become due.

The Trust manages liquidity risk by continually monitoring actual and forecasted cash flows from operations and anticipated investing activities to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Trust's reputation.

There has been no change to risk exposure from 2022 related to credit, market or liquidity risks.