

Financial Statements of

ISLANDS TRUST

Year ended March 31, 2024

ISLANDS TRUST

Financial Statements

Year ended March 31, 2024

Financial Statements

Management's Responsibility for the Financial Statements	1
Independent Auditor's Report	2
Statement of Financial Position	4
Statement of Operations	5
Statement of Change in Net Financial Assets	6
Statement of Cash Flows	7
Notes to Financial Statements	8


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



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 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, 2024
- 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, 2024, 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.



Islands Trust

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
June 19, 2024

ISLANDS TRUST

Statement of Financial Position

March 31, 2024, with comparative information for 2023

	2024	2023
Financial assets:		
Cash and cash equivalents (note 2)	\$ 5,389,592	\$ 1,750,989
Accounts receivable	277,722	301,396
Investments (note 3)	-	2,670,862
	<u>5,667,314</u>	<u>4,723,247</u>
Liabilities:		
Accounts payable and accrued liabilities	868,632	737,364
Wages and benefits payable	1,543,771	1,397,218
Deferred revenue	423,688	226,282
Employee benefit obligations (note 4)	298,507	233,999
Obligations under capital leases (note 5)	41,291	43,837
Cost recovery deposits (note 13(b))	3,875	2,996
	<u>3,179,764</u>	<u>2,641,696</u>
Net financial assets	2,487,550	2,081,551
Non-financial assets:		
Tangible capital assets (note 6)	202,062	237,000
Prepaid expenses	251,449	208,318
	<u>453,511</u>	<u>445,318</u>
Commitments (note 11)		
Contingent liabilities (note 12)		
Accumulated surplus (note 7)	<u>\$ 2,941,061</u>	<u>\$ 2,526,869</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, 2024, with comparative information for 2023

	Budget (note 9)	2024	2023
Revenue:			
Property tax - general	\$ 8,046,025	\$ 8,046,628	\$ 7,309,863
Property tax levy - Bowen Island municipality	345,989	345,989	323,769
Property tax - special requisition	43,500	43,500	60,000
Government transfers (note 8)	569,795	732,733	711,724
Fees and sales	192,000	190,178	199,570
Interest income	133,000	319,027	168,943
Other income	-	575	450
Total revenue	9,330,309	9,678,630	8,774,319
Expenses (note 10):			
Council services	1,561,874	1,479,316	1,524,852
Local trust committee services	7,012,960	6,522,886	6,111,543
Trust conservancy services (note 13)	1,348,375	1,262,236	1,174,887
Total expenses	9,923,209	9,264,438	8,811,282
Annual deficit	(592,900)	414,192	(36,963)
Accumulated surplus, beginning of year	2,526,869	2,526,869	2,563,832
Accumulated surplus, end of year	\$ 1,933,969	\$ 2,941,061	\$ 2,526,869

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

ISLANDS TRUST

Statement of Change in Net Financial Assets

Year ended March 31, 2024, with comparative information for 2023

	Budget (note 9)	2024	2023
Annual deficit	\$ (458,600)	\$ 414,192	\$ (36,963)
Acquisition of tangible capital assets	(134,300)	(111,880)	(83,248)
Acquisition of leased tangible capital assets	-	(7,607)	(44,136)
Amortization of tangible capital assets	178,000	154,425	172,246
Loss on disposal of capital assets	-	-	5,091
	(414,900)	449,130	12,990
Acquisition of prepaid expenses	-	(43,131)	(29,539)
Change in net financial assets	(414,900)	405,999	(16,549)
Net financial assets, beginning of year	2,081,551	2,081,551	2,098,100
Net financial assets, end of year	\$ 1,666,651	\$ 2,487,550	\$ 2,081,551

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

ISLANDS TRUST

Statement of Cash Flows

Year ended March 31, 2024, with comparative information for 2023

	2024	2023
Cash provided by (used in):		
Operating activities:		
Annual deficit	\$ 414,192	\$ (36,963)
Items not involving cash:		
Amortization of tangible capital assets	154,425	172,246
Loss 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	23,674	(108,823)
Wages and benefits payable	146,553	(149,938)
Accounts payable and accrued liabilities	131,268	(66,632)
Deferred revenue	197,406	22,691
Employee benefit obligations	64,508	(47,673)
Cost recovery deposits	879	2,233
Prepaid expenses	(43,131)	(29,539)
Net change in cash from operating activities	1,089,774	(243,019)
Capital activities:		
Acquisition of tangible capital assets	(111,880)	(83,248)
Investing activities:		
Maturity (purchase) of investments	2,670,862	(1,468,255)
Financing activities:		
Principal payments on obligations under capital leases	(10,153)	(12,658)
Change in cash and cash equivalents	3,638,603	(1,807,180)
Cash and cash equivalents, beginning of year	1,750,989	3,558,169
Cash and cash equivalents, end of year	\$ 5,389,592	\$ 1,750,989
Supplemental cash flow information:		
Assets acquired under capital lease	\$ (7,607)	\$ (44,136)

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

ISLANDS TRUST

Notes to Financial Statements

Year ended March 31, 2024

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, 2024

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 until related performance obligations have been achieved.

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.

ISLANDS TRUST

Notes to Financial Statements

Year ended March 31, 2024

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.

In the years presented, 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, 2024

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

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 (rainwater 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, 2024

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, revenue recognition based on performance obligations achieved, fair value of financial instruments and asset retirement obligations. Actual results could differ from these estimates.

(l) Change in accounting policies:

On April 1, 2023 the Trust adopted Canadian public sector accounting standard PS 3400 *Revenue Recognition*. The new accounting standard differentiates between revenue arising from transactions with performance obligations (exchange transactions) and transactions that do not have performance obligations (non-exchange transactions). 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.

ISLANDS TRUST

Notes to Financial Statements

Year ended March 31, 2024

1. Significant accounting policies (continued):

(I) Change in accounting policies (continued):

On April 1, 2023 the Trust adopted Canadian public sector accounting standard PS 3160 *Public Private Partnerships*. The new accounting standard establishes guidelines for the recognition, measurement, presentation, and disclosure of infrastructure procured through certain types of public private partnership arrangements. Given the nature of its work, the Trust does not engage in these types of partnerships and as such, adoption of the standard has had no impact on the financial statements.

2. Cash and cash equivalents:

	2024	2023
Bank account balances	\$ 5,389,592	\$ 1,750,989

3. Investments:

There are no investments held at March 31, 2024. 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 2024 to February 2024.

4. Employee benefit obligations:

	2024	2023
Vacation pay	\$ 225,490	\$ 177,343
Compensatory time off	73,017	56,656
	\$ 298,507	\$ 233,999

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, 2024

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, 2023, the plan has about 71,000 active members and approximately 55,000 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, 2023, indicated a funding surplus of \$4,491 million for basic pension benefits on a going concern basis. The next valuation will be as at March 31, 2026. 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 \$415,886 (2023 - \$365,419) for employer contributions to the plan in fiscal 2024.

5. Obligations under capital leases:

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

2025	\$ 12,796
2026	11,740
2027	11,740
2028	12,331
2029	2,662
<hr/>	
Total minimum lease payments	51,269
Less amounts representing interest (at rates ranging from 4.94% to 8.45%)	9,978
<hr/>	
Present value of net minimum capital lease payments	\$ 41,291

Interest of \$2,181 (2023 - \$2,204) relating to capital lease obligations has been included in expenses on the statement of operations.

ISLANDS TRUST

Notes to Financial Statements

Year ended March 31, 2024

6. Tangible capital assets:

	Denman Island Site	Furniture and equipment	Computers	Leasehold improvements	Total 2024	Total 2023
Cost:						
Balance, beginning of year	\$ 10,000	\$ 140,450	\$ 396,793	\$ 386,975	\$ 934,218	\$ 961,870
Additions	-	22,431	97,056	-	119,487	127,384
Disposals	-	(10,007)	(18,927)	-	(28,934)	(155,036)
Balance, end of year	10,000	152,874	474,922	386,975	1,024,771	934,218
Accumulated amortization:						
Balance, beginning of year	10,000	86,293	294,217	306,708	697,218	674,917
Additions	-	19,025	72,992	62,408	154,425	172,246
Disposals	-	(10,007)	(18,927)	-	(28,934)	(149,945)
Balance, end of year	10,000	95,311	348,282	369,116	822,709	697,218
Net book value, end of year	\$ -	\$ 57,563	\$ 126,640	\$ 17,859	\$ 202,062	\$ 237,000

Contributed tangible capital assets:

There were no contributed assets received during 2024 or 2023.

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 \$41,291 (2023 - \$43,837).

ISLANDS TRUST

Notes to Financial Statements

Year ended March 31, 2024

7. Accumulated surplus:

Accumulated surplus consists of:

	2024	2023
Invested in tangible capital assets	\$ 160,771	\$ 193,163
General Revenue Fund	2,537,240	2,190,140
Local Trust Committee Project Specific Reserve Fund	159,535	102,751
Special property tax requisition fund	83,515	40,815
	<u>\$ 2,941,061</u>	<u>\$ 2,526,869</u>

8. Government transfers:

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

	2024	2023
Provincial operating grant	\$ 180,000	\$ 228,000
Provincial restricted grant	330,958	49,246
Federal restricted grant	221,775	238,500
Transportation Canada	-	2,121
Other	-	193,857
	<u>\$ 732,733</u>	<u>\$ 711,724</u>

9. Budget data:

The budget data presented in these financial statements is based upon the 2024 operating budget approved by Trust Council on April 20, 2023. The following reconciles the approved budget to the budget figures reported in these financial statements.

	Budget amount
Operating budget:	
Revenue	\$ 9,745,209
Less appropriation from surplus	(414,900)
	<u>9,330,309</u>
Expenses	9,745,209
Plus amortization expense	178,000
	<u>9,923,209</u>
Annual deficit	<u>\$ (592,900)</u>

ISLANDS TRUST

Notes to Financial Statements

Year ended March 31, 2024

10. Classification of expenses by object:

	2024	2023
Staff salaries and benefits	\$ 5,912,460	\$ 5,221,815
Traveling/training and recruitment	185,914	155,198
Council and trustee costs	1,065,363	907,609
Elections	-	157,631
Office operations	1,112,114	997,722
Programs	455,449	835,059
Legal	378,713	358,911
Amortization	154,425	172,246
Loss on disposal of assets	-	5,091
	<hr/>	<hr/>
	\$ 9,264,438	\$ 8,811,282

11. Commitments:

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

2025	\$ 206,460
2026	636
2027	-
2028	-
2029	-

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, 2024

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 \$100,987 (2023 - \$71,061).

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:

	2024	2023
Operations and Property Management	\$ 963,375	\$ 884,981
Board	9,747	10,725
Administration	289,113	279,181
	<u>\$ 1,262,235</u>	<u>\$ 1,174,887</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:

	2024	2023
Cash received during the year	\$ 3,000	\$ 21,652
Cash paid during the year	2,121	19,418

The net payable from development applicants of \$3,875 (2023 - \$2,996) is included in cost recoveries on the statement of financial position.

ISLANDS TRUST

Notes to Financial Statements

Year ended March 31, 2024

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 2023 related to credit, market or liquidity risks.