

Financial Statements of

THE ISLANDS TRUST FUND

Year ended March 31, 2010



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AUDITORS' REPORT TO THE TRUSTEES OF THE ISLANDS TRUST FUND BOARD, THE TRUSTEES OF THE ISLANDS TRUST COUNCIL AND THE MINISTER OF COMMUNITY AND RURAL DEVELOPMENT

We have audited the statement of financial position of The Islands Trust Fund as at March 31, 2010 and statements of operations and changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the Trust Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraph, we conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In common with many not-for-profit organizations, the Trust Fund derives revenue from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of revenues from donations was limited to the amounts recorded in the records of the Trust Fund and we were not able to determine whether any adjustments might be necessary to donations revenue, excess of revenue over expenses and fund balances.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of the revenues referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Trust Fund as at March 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

Victoria, Canada

May 14, 2010

THE ISLANDS TRUST FUND

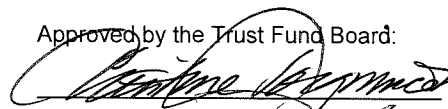
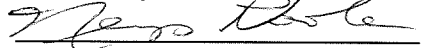
Statement of Financial Position

March 31, 2010, with comparative figures for 2009

	Opportunity Fund	Restricted Fund	Capital Fund	Endowment Fund	2010 Total	2009 Total
Assets						
Current assets:						
Cash	\$ 43,816	\$ 61,899	\$ -	\$ -	\$ 105,715	\$ 95,109
Receivables	-	1,102	-	-	1,102	838
Short-term investments	-	8,367	-	123,000	131,367	117,351
Inventory of fundraising items	2,948	-	-	-	2,948	3,120
	46,764	71,368	-	123,000	241,132	216,418
Land (notes 2 and 4)	-	-	4,983,903	3,594,000	8,577,903	8,577,903
	\$ 46,764	\$ 71,368	\$ 4,983,903	\$ 3,717,000	\$ 8,819,035	\$ 8,794,321
Fund Balances						
Unrestricted	\$ 46,764	\$ -	\$ -	\$ -	\$ 46,764	\$ 36,745
Investment in land (note 2)	-	-	4,983,903	-	4,983,903	4,983,903
Internally restricted (note 3)	-	15,924	-	-	15,294	15,884
Externally restricted (note 3)	-	55,714	-	-	56,074	40,789
Restricted for endowment purposes (note 4)	-	-	-	3,717,000	3,717,000	3,717,000
	46,764	71,368	4,983,903	3,717,000	8,819,035	8,794,321
	\$ 46,764	\$ 71,368	\$ 4,983,903	\$ 3,717,000	\$ 8,819,035	\$ 8,794,321

See accompanying notes to financial statements.

Approved by the Trust Fund Board:

 Board member
 Board member

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Statement of Operations and Changes in Fund Balances

Year ended March 31, 2010, with comparative figures for 2009

	Opportunity Fund	Restricted Fund	Capital Fund	Endowment Fund	2010 Total	2009 Total
Revenue:						
Donations in cash	\$ 9,248	\$ -	\$ -	\$ -	\$ 9,248	\$ 23,045
Grants in cash	-	3,703	-	-	3,703	2,700
Donations of land	-	-	-	-	-	1,177,000
Rental income	-	6,800	-	-	6,800	10,200
Investment income (loss)	97	14,499	-	-	14,596	(17,745)
Sale of fundraising items	870	-	-	-	870	1,043
	10,215	25,002	-	-	35,217	1,196,243
Expenses:						
Repairs and maintenance - Alton property	-	10,291	-	-	10,291	4,091
Cost of sales of fundraising items	172	-	-	-	172	360
Interest expense	24	16	-	-	40	77
Donations to conservancy groups	-	-	-	-	-	5,000
Other	-	-	-	-	-	225
	196	10,307	-	-	10,503	9,753
Excess of revenue over expenses	10,019	14,695	-	-	24,714	1,186,490
Fund balances, beginning of year	36,745	56,673	4,983,903	3,717,000	8,794,321	7,607,831
Fund balances, end of year (notes 2, 3 and 4)	\$ 46,764	\$ 71,368	\$ 4,983,903	\$ 3,717,000	\$ 8,819,035	\$ 8,794,321

See accompanying notes to financial statements.

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Statement of Cash Flows

Year ended March 31, 2010, with comparative figures for 2009

	2010	2009
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 24,714	\$ 1,186,490
Items not involving cash:		
Donation of land	-	(1,177,000)
Changes in non-cash operating working capital:		
Receivables	(264)	3,506
Inventory of fundraising items	172	585
Accounts payable	-	(3,326)
	24,622	10,255
Investing activities:		
Purchase of short-term investments	(14,016)	(2,351)
Increase in cash	10,606	7,904
Cash, beginning of year	95,109	87,205
Cash, end of year	\$ 105,715	\$ 95,109

See accompanying notes to financial statements.

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Notes to Financial Statements

Year ended March 31, 2010

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

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

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

1. Significant accounting policies:

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles for not-for-profit organizations and include the following significant accounting policies:

(a) Fund accounting:

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

The Opportunity Fund reports unrestricted resources.

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

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

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

(b) Financial instruments:

The Trust Fund has designated all non-derivative financial assets and liabilities as held for trading with the exception of certain obligations designated as other liabilities and loans and receivables. The Trust Fund initially records all non-derivative financial assets and liabilities at fair value. Cash and short-term investments are classified as held for trading and measured at fair value. The Trust Fund has not classified any assets or liabilities as available for sale. The Trust Fund does not currently hold any derivative financial instruments.

The Trust Fund complies with the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3861, *Financial Instruments – Disclosure and Presentation*, for the presentation and disclosure of financial instruments and non-financial derivatives.

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Notes to Financial Statements

Year ended March 31, 2010

1. Significant accounting policies (continued):

(c) Land:

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

(d) Revenue recognition:

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

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

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

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

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

(e) Investment income:

Investment income, which is recorded on the accrual basis, includes interest income, dividends, net gain on sale of securities and net unrealized gains (losses).

(f) Use of estimates:

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

(g) Revisions to Not-for-Profit accounting standards:

Effective April 1, 2009, the Fund adopted the amendments to CICA Handbook Sections 4400, *Financial Statement Presentation by Not-for-Profit Organizations* and 4470, *Disclosure of Allocated Expenses by Not-for-Profit Organizations*. The amendments remove the requirement to disclose net assets invested in capital assets, added requirements for disclosure of allocated fundraising and general support expenses by not-for-profit organizations, and include the requirement to follow Handbook Section 1540, *Cash Flow Statements*. The application of these amendments resulted in the addition of the statement of cash flows in the Trust Fund's financial statements.

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Notes to Financial Statements

Year ended March 31, 2010

2. Land:

	Acquisition date	2010	2009
Inner Island Nature Reserve, Denman Island	1992	\$ 70,000	\$ 70,000
Coats Millstone Reserve, Gabriola Island	1994	100,000	100,000
Medicine Beach Nature Sanctuary, North Pender Island	1996	477,000	477,000
Cunningham Reserve, Salt Spring Island	1994	265,000	265,000
Deep Ridge Reserve, Salt Spring Island	1992	255,000	255,000
Lower Mt. Erskine Nature Reserve, Salt Spring Island	1996	284,000	284,000
Kwel Nature Sanctuary, Lasqueti Island	1997	195,497	195,497
Singing Woods Nature Reserve, Bowen Island	1999	157,000	157,000
Trincomali Nature Sanctuary, Galiano Island	2001	242,406	242,406
Horton Bayviary Nature Reserve, Mayne Island	2002	210,000	210,000
Morrison Marsh Nature Reserve	2006	438,000	438,000
Brigade Bay Bluffs Nature Reserve, Gambier Island	2006	150,000	150,000
Long Bay Wetland Nature Reserve, Gambier Island	2006	305,000	305,000
Elder Cedar Nature Reserve, Gabriola Island	2007	658,000	658,000
Mount Artaban Nature Reserve, Gambier Island	2009	1,177,000	1,177,000
		\$ 4,983,903	\$ 4,983,903

3. Restricted Fund balances:

	2010	2009
Internally restricted:		
McFadden property	\$ 15,294	\$ 15,884
Externally restricted:		
Alton Nature Reserve - maintenance fund	27,001	12,109
Marilyn King Endowment - interest receivable	1,102	782
Lasqueti Acquisition Funds	27,971	27,898
	56,074	40,789
	\$ 71,368	\$ 56,673

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Notes to Financial Statements

Year ended March 31, 2010

4. Restricted for endowment purposes:

	Acquisition date	2010	2009
Short-term investments:			
Alton Nature Reserve - maintenance	2002	\$ 88,000	\$ 88,000
Marilyn King - covenant protection endowment	2009	35,000	35,000
		123,000	123,000
Land:			
Alton Nature Reserve, Salt Spring Island	2002	454,000	454,000
Lindsay Dickson Nature Reserve, Denman Island	2001	2,200,000	2,200,000
Properties acquired under the Federal Government Ecological Gifts program:			
Mt. Trematon Nature Reserve, Lasqueti Island	2006	320,000	320,000
David Otter Nature Reserve, Bowen Island	2007	620,000	620,000
		3,594,000	3,594,000
Total restricted for endowment purposes		\$ 3,717,000	\$ 3,717,000

Investment gain (loss) on endowment funds for the year of \$18,407 (2009 - \$(18,474)) has been recorded in the restricted fund.

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

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

The Mt. Trematon Nature Reserve property on Lasqueti Island and the David Otter Nature Reserve property on Bowen Island were acquired under the Federal Government Ecological Gift program. Recipients of ecological gifts are responsible for maintaining the biodiversity and environmental heritage values of the property in perpetuity.

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Notes to Financial Statements

Year ended March 31, 2010

5. Related party:

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

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

	2010	2009
Programs	\$ 443,480	\$ 388,185
Board	17,355	13,038
Administration	126,506	110,320
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	\$ 587,341	\$ 512,543

6. Financial instruments:

The Trust Fund's financial instruments include cash, short-term investments, receivables and inventory. The fair value of these instruments approximates their carrying values. It is management's opinion that the Trust Fund is not exposed to significant interest, currency or credit risks arising from these financial instruments.

7. Capital management:

The Trust Fund receives its principal source of capital through funding received from donations, grants and bequests. The Trust Fund's annual expenses are funded by the Islands Trust. The Trust Fund defines capital to be fund balances.

The Trust Fund's objective to manage its capital is to preserve capital with the monitoring of funding, grants and expenses. The Trust Fund has complied with the external restrictions on the funding provided.

8. Comparative figures:

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.