

**SALT SPRING ISLAND  
FOUNDATION**  
Audited Financial Statements  
December 31, 2009



379 Dukes Road  
Salt Spring Island, B. C. V8K 2B5

#### AUDITOR'S REPORT

To the trustees of the Salt Spring Island Foundation:

I have audited the statement of financial position of the Salt Spring Island Foundation as at December 31, 2009 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Foundations's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I 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 my opinion, these financial statements present fairly, in all material respects, the financial position of the Foundation as at December 31, 2009 and the results of its operations and the changes in its net assets and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

J. D. Harkley  
Chartered Accountant

April 18, 2010  
Salt Spring Island, B.C.

SALT SPRING ISLAND FOUNDATION  
Statement of Financial Position  
as at December 31, 2009  
(with 2008 figures included for comparative purposes - see note 7)

	2009	2008
<b>ASSETS</b>		
Current:		
Cash	\$ 63,356	\$ 31,022
Term deposits (note 4)	675,820	664,211
Accounts receivable	10,279	16,631
Investments (notes 2c, 2e.3)	2,777,162	2,037,612
	<u>\$ 3,526,617</u>	<u>\$ 2,749,476</u>
 <b>LIABILITIES</b>		
Current:		
Accounts payable and accrued liabilities	\$ 3,776	\$ 3,480
Flow through funds (note 4)	675,820	664,211
	<u>679,596</u>	<u>667,691</u>
 <b>NET ASSETS</b>		
Externally restricted (note 2b(i))	720,469	654,044
Internally restricted (note 2b (ii))	1,743,460	1,625,033
Unrestricted net assets	383,092	(197,292)
	<u>2,847,021</u>	<u>2,081,785</u>
 Commitment (note 8)		
	<u>\$ 3,526,617</u>	<u>\$ 2,749,476</u>

Approved by the Trustees

\_\_\_\_\_ Chairperson

\_\_\_\_\_ Treasurer

The accompanying notes are an integral part of these financial statements

J. D. Harkley, Chartered Accountant

SALT SPRING ISLAND FOUNDATION  
Statement of Operations  
for the year ended December 31, 2009  
(with 2008 figures included for comparative purposes- see note 7)

	2009	2008
Revenue:		
Donations	\$ 175,612	\$ 291,952
Donations, flow through (note 2a)	30,000	272,922
Investment income	154,585	177,928
Miscellaneous income	1,894	8,980
Gain or loss on sale of investments, realized	(103,097)	(5,193)
Gain or loss on value of investments, unrealized (notes 2c, 2e)	582,125	(664,762)
	841,119	81,827
Expenditures:		
Grants (note 2d)	80,850 ✓	118,800
Grants, flow through (note 2a)	30,000	272,922
Community capacity building	0	1,729
Community needs assessment	0	748
Advertising and promotion	4,831	2,601
Contracts, administration	11,490	9,383
Computer and software	338	922
Fees, meetings and general	3,317	3,211
Insurance	1,300	1,119
Professional fees	4,442	2,500
Printing, postage and publishing	5,427	4,045
Stationery and supplies	313	491
	142,308	418,471
Excess (deficiency) of Revenue over Expenses	\$ 698,811	\$ (336,644)

The accompanying notes are an integral part of these financial statements

J. D. Harkley, Chartered Accountant

SALT SPRING ISLAND FOUNDATION  
Statement of Changes in Net Assets  
for the year ended December 31, 2009  
(with 2008 figures included for comparative purposes - see note 7)

	Externally restricted	Internally restricted	Unrestricted	<b>2009 Total</b>	<b>2008 Total</b>
Net assets, beginning of year	\$ 654,044	1,625,033	(197,292)	\$ 2,081,785	\$ 2,418,429
Excess (deficiency) of revenue over expenses		118,427	580,384	698,811	(490,688)
Direct increases	66,425			66,425	154,044
Net assets, end of year	<u>\$ 720,469</u>	<u>1,743,460</u>	<u>383,092</u>	<u>\$ 2,847,021</u>	<u>\$ 2,081,785</u>

The accompanying notes are an integral part of these financial statements

J. D. Harkley Chartered Accountant

SALT SPRING ISLAND FOUNDATION  
Statement of Cash Flows  
for the year ended December 31, 2009  
(with 2008 figures included for comparative purposes - see note 7)

	2009	2008
Cash provided by (used in)		
Operating activities:		
Excess (deficiency) of revenues over expenses	\$ 698,811	\$ (490,688)
Add: items not involving an outlay of cash		
Realized capital (gains) losses on investments	103,097	5,193
Unrealized (gains) losses on value of investments	(582,125)	664,762
	219,783	179,267
(Increase) decrease in non-cash working capital (note 5)	18,257	(155,711)
	238,040	23,556
Cash provided by (used in)		
Investing activities:		
Proceeds from sale of investments	300,823	382,797
Purchase of investments	(561,345)	(193,986)
	(260,522)	188,811
Cash provided by (used in)		
Financing activities:		
Externally restricted endowments	66,425	154,044
	43,943	366,411
Increase (decrease) in cash during the year	43,943	366,411
Cash and equivalents, opening	695,233	328,822
Cash and equivalents, closing	\$ 739,176	\$ 695,233
Cash and equivalents include:		
Banks	63,356	31,012
Term deposits	675,820	664,221
	\$ 739,176	\$ 695,233

The accompanying notes are an integral part of these financial statements

J. D. Harkley, Chartered Accountant

SALT SPRING ISLAND FOUNDATION  
Notes to the Financial Statements  
December 31, 2009

Note 1 Purpose

- (a) The Foundation is a trust created June 8, 1984 and is registered as a public foundation with the Charities Directorate, Canada Revenue Agency. It is exempt from income taxes and is permitted to issue donation receipts.
- (b) The purpose of the Foundation is:  
to establish a fund, the income and capital of which may be expended for charitable purposes with Salt Spring Island or in ways that would bring benefit to Salt Spring Island and its residents, provided always that such expenditures were exclusively for charitable purposes.

Note 2 Significant Accounting Policies

The Foundation follows Canadian generally accepted accounting principles pertaining to non-profit organizations in the preparation of its financial statements.

(a) Recognition of contributions

The Foundation follows the deferral method of accounting for contributions. Flow through contributions are recognized as revenue in the year which the related expenses are incurred. Unrestricted contributions are recognized when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Externally restricted endowment contributions (see note following) are recognized as direct increases in net assets when received.

(b) Endowment fund

(i) Externally restricted endowment fund is established for gifts that are designated to remain under the Foundation's management in perpetuity. Such donations are used to acquire units in the Foundation's common trust fund.

(ii) Internally restricted endowment fund is established for gifts that are not designated to remain under the Foundation's management in perpetuity, but are managed for long term charitable objectives. Such donations are used to acquire units in the Foundation's common trust fund.

(c) Investments

The Foundation's investments are classified as held for trading financial assets, which are recorded at fair value based on published market quotations at year end. Investment earnings include interest and dividends, accrued interest and realized and unrealized market gains and losses net of transaction fees.

SALT SPRING ISLAND FOUNDATION  
Notes to the Financial Statements (cont'd)  
December 31, 2009

(d) Grants

Grants are recorded when paid by the Foundation.

(e) Financial Instruments

The Foundation's financial instruments consist of cash and cash equivalents, accrued investment income receivable, bonds and debentures, common shares and convertible securities, and accounts payable and accrued liabilities. The fair values of cash and cash equivalents, accrued investment income receivable and accounts payable and accrued liabilities approximate their carrying values due to the short-term nature of these assets and liabilities.

On January 1, 2008, the Foundation adopted the financial instruments standards issued by the Canadian Institute of Chartered Accountants Handbook Section 3855, *Financial Instruments - Recognition and Measurement* and Handbook Section 3861, *Financial Instruments - Disclosure and Presentation*. The Foundation adopted these standards retroactively without restatement, and, as such, unaudited comparative amounts for prior periods have not been restated. The new standards permit designation of any financial instrument as "held for trading" upon initial recognition, and require most instruments to be classed as "held for trading". This designation requires that the fair value of the financial instrument be reliably measured. Held for trading financial assets and liabilities are measured at fair value with gains and losses recognized in the statement of revenue and expenses.

(f) Donated services

The Foundation benefits greatly from donated services in the form of volunteer time for various committees. The value of donated services is not recognized in these financial statements.

(g) Revenue recognition

Bequests and donations are recorded upon receipt of the donated assets. Interest on term deposits is recorded on the accrual basis.

SALT SPRING ISLAND FOUNDATION  
Notes to the Financial Statements (cont'd)  
December 31, 2009

(h) Use of estimates

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

(i) Foreign currency translation

Investments denominated in foreign currencies are translated to Canadian dollars at the exchange rate in effect on the date of the statement of financial position. Investment income denominated in foreign currencies is translated to Canadian dollars at the exchange rate in effect when realized.

Note 3 Financial Instruments and Risk

The Foundation's investments consist of marketable securities carried at fair value in accordance with the significant policy disclosed in note 2 (e).

The Foundation actively manages the risks that arise from its investments, including liquidity, credit and market risk.

Liquidity risk is the risk that the Foundation cannot meet a demand for cash or fund its obligations as they come due. A key liquidity requirement for the Foundation is grant commitments. Liquidity risk is managed by investing the the Foundation's assets in investments that are traded in an active market and can be readily liquidated.

Credit risk is the potential for financial loss should a counterparty in a transaction fail to meet its obligations. The Foundation's investments in bonds and debentures are subject to credit risk. The maximum exposure to credit risk on these financial instruments is their carrying value.

Market risk is the potential for financial loss to the Foundation from changes in the values of its financial instruments due to changes in interest rates, currency exchange rates or equity prices. The investments of the Foundation are subject to normal market fluctuations and to risk inherent in investment in capital markets.

The Foundation does not utilize derivatives or other off-balance sheet instruments, nor does the Foundation engage in hedging transactions.

The Foundation adheres to an investment policy that outlines the objectives, constraints, and parameters relating to its investing activities. The policy prescribes limits around the quality and concentration of investments held by the Foundation. This policy was reviewed and revised in 2009. Previously, the last review was undertaken in 2005.

SALT SPRING ISLAND FOUNDATION  
Notes to the Financial Statements (cont'd)  
December 31, 2009

	2009	2008
Investments are comprised of the following:		
Bonds and debentures	\$ 542,378	\$ 531,197
Preferred stock, non convertible	1,060,104	636,256
Canadian equities and income trusts	1,164,493	861,849
U.S. and international equities	10,187	8,310
	\$ 2,777,162	\$ 2,037,612

**Note 4 Flow Through Funds**

Flow through funds represent donations and grants externally restricted by the donor or for a particular charitable purpose and are not held in perpetuity by the Foundation. The Foundation has a policy that flow through funds are invested in term deposits.

**Note 5 Non-cash Working Capital**

Changes in non-cash working capital balances are as follows:

	2009	2008
Accounts receivable	\$ 6,352	\$ (16,631)
Accounts payable and accrued liabilities	296	1,542
Flow through funds	11,609	(140,622)
	\$ 18,257	\$ (155,711)

**Note 6 Administrative Expenses**

The Foundation's financial management administrative and other expenses are established annually by the trustees.

**Note 7 Comparative Figures**

Certain of the prior year figures have been reclassified to conform to the current year presentation.

**Note 8 Commitment**

The Foundation has approved a grant of \$60,000 from flow through funds contingent upon certain conditions being met by April 30, 2010 prior to disbursement.