

**SALTSPRING ISLAND
FOUNDATION**

Audited Financial Statements
December 31, 2010



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

AUDITOR'S REPORT

To the trustees of the Saltspring Island Foundation:

I have audited the accompanying financial statements of the Saltspring Island Foundation, which comprise the statement of financial position as at December 31, 2010 and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles for Not for Profit organizations and for such internal control as management determines is necessary to enable the preparation of financial that are free from material misstatement, whether due to fraud or error.

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 for Not for Profit organizations. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion of the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Saltspring Island Foundation as at December 31, 2010 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 for Not for Profit organizations.

J. D. Harkley
Chartered Accountant

April 20, 2011
Salt Spring Island, B.C.

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SALTSPRING ISLAND FOUNDATION
Statement of Changes in Net Assets
for the year ended December 31, 2010
(with 2009 figures included for comparative purposes)

	Externally restricted	Internally restricted	Unrestricted	2010 Total	2009 Total
Net assets, beginning of year	\$ 720,469	1,743,460	383,092	\$ 2,847,021	\$ 2,081,785
Excess (deficiency) of revenue over expenses		120,885	308,032	428,917	698,811
Direct increases	2,100			2,100	66,425
Net assets, end of year	<u>\$ 722,569</u>	<u>\$ 1,864,345</u>	<u>\$ 691,124</u>	<u>\$ 3,278,038</u>	<u>\$ 2,847,021</u>

The accompanying notes are an integral part of these financial statements

J. D. Harkley Chartered Accountant

SALTSPRING ISLAND FOUNDATION
Statement of Cash Flows
for the year ended December 31, 2010
(with 2009 figures included for comparative purposes)

	2010	2009
Cash provided by (used in)		
Operating activities:		
Excess (deficiency) of revenues over expenses	\$ 428,917	\$ 698,811
Add: items not involving an outlay of cash		
Realized capital (gains) losses on investments	35,637	103,097
Unrealized (gains) losses on value of investments	<u>(291,632)</u>	<u>(582,125)</u>
	172,922	219,783
(Increase) decrease in non-cash working capital (note 6)	<u>(20,519)</u>	<u>18,257</u>
	<u>152,403</u>	<u>238,040</u>
Cash provided by (used in)		
Investing activities:		
Proceeds from sale of investments	960,558	300,823
Purchase of investments	<u>(950,498)</u>	<u>(501,345)</u>
	<u>10,060</u>	<u>(260,522)</u>
Cash provided by (used in)		
Financing activities:		
Externally restricted endowments	<u>2,100</u>	<u>66,425</u>
Increase (decrease) in cash during the year	164,563	43,943
Cash and equivalents, opening	739,176	695,233
Cash and equivalents, closing	<u>\$ 903,739</u>	<u>\$ 739,176</u>
Cash and equivalents include:		
Banks	289,033	63,356
Term deposits, unrestricted	9,506	0
Term deposits, restricted	<u>605,200</u>	<u>675,820</u>
	<u>\$ 903,739</u>	<u>\$ 739,176</u>

The accompanying notes are an integral part of these financial statements

J. D. Harkley, Chartered Accountant

SALTSPRING ISLAND FOUNDATION
Notes to the Financial Statements
December 31, 2010

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. Also see note 8, subsequent events.
- (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.

SALTSPRING ISLAND FOUNDATION
Notes to the Financial Statements (cont'd)
December 31, 2010

(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, 2006, 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.

(h) Fixed assets

Expenditures under \$1,000 are expensed.

SALTSPRING ISLAND FOUNDATION
Notes to the Financial Statements (cont'd)
December 31, 2010

(i) 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.

(j) 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.

SALTSPRING ISLAND FOUNDATION
Notes to the Financial Statements (cont'd)
December 31, 2010

		2010		2009
Note 3	Investments are comprised of the following:			
cont	Bonds and debentures	\$ 498,353	\$	542,378
	Preferred stock, non convertible	1,131,410		1,060,104
	Canadian equities and income trusts	1,389,067		1,164,493
	U.S. and international equities	0		10,187
		\$ 3,018,830	\$	2,777,162

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 Undistributed grants

Grants that have been awarded, authorized in the minutes, but receipts have not yet been presented for payment.

Note 6 Non-cash Working Capital

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

		2010		2009
Accounts receivable	\$	(8,624)	\$	6,352
Prepaid expenses		8,760		0
Accounts payable, undistributed grants		47,965		296
Flow through funds		(70,620)		11,609
	\$	(20,519)	\$	18,257

Note 7 Administrative Expenses

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

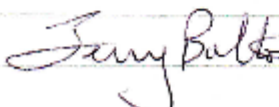
Note 8 Subsequent Events

In 2010, the Trustees of the Salt Spring Island Foundation received a legal opinion that it would be advantageous to change the organization's status from a trust to that of a registered charitable society, with the same charitable purposes as that of the Trust. The Trust had grown to be the steward of more than three million dollars, given by hundreds of donors. The change was taken to ensure that the necessary management resources, reporting standards, governance structure and public accountability could be maintained and enhanced. Effective January 1, 2011, the assets of the Trust were transferred to the new society, which is known as the Salt Spring Island Foundation.

SALTSPRING ISLAND FOUNDATION
Statement of Financial Position
as at December 31, 2010
(with 2009 figures included for comparative purposes)

	2010	2009
ASSETS		
Current:		
Cash	\$ 289,033	\$ 63,356
Term deposits, unrestricted	9,506	0
Term deposits, restricted (note 4)	605,200	675,820
Accounts receivable	3,855	10,279
Prepaid expenses	3,833	0
Prepaid organizational costs (note B)	4,927	0
Investments (notes 2c, 2e,3)	3,018,830	2,777,162
	<u>\$ 3,934,984</u>	<u>\$ 3,526,617</u>
 LIABILITIES		
Current:		
Accounts payable and accrued liabilities	\$ 13,316	\$ 3,776
Undistributed grants (note 5)	38,430	0
Flow through funds (note 4)	605,200	675,820
	<u>656,946</u>	<u>679,596</u>
 NET ASSETS		
Externally restricted (note 2b(i))	722,569	720,469
Internally restricted (note 2b (ii))	1,864,345	1,743,460
Unrestricted net assets	691,124	383,092
	<u>3,278,038</u>	<u>2,847,021</u>
	<u>\$ 3,934,984</u>	<u>\$ 3,526,617</u>

Approved by the Trustees

Chairperson

Treasurer

The accompanying notes are an integral part of these financial statements

J. D. Harkley, Chartered Accountant

SALTSPRING ISLAND FOUNDATION
Statement of Operations
for the year ended December 31, 2010
(with 2009 figures included for comparative purposes)

	2010	2009
Revenue:		
Donations	\$ 170,855	\$ 175,612
Donations, flow through (note 2a)	6,069	30,000
Investment income	147,144	154,585
Miscellaneous income	4,226	1,894
Gain or loss on sale of investments, realized	(35,637)	(103,097)
Gain or loss on value of investments, unrealized (notes 2c, 2e)	291,632	582,125
	584,089	841,119
 Expenditures:		
Grants (note 2d)	93,740	80,850
Grants, flow through (note 2a)	6,069	30,000
Building community capacity	2,500	0
Equity management fees	12,894	0
Special projects housing study	10,000	0
Advertising and promotion	2,838	4,831
Contracts, administration	9,367	11,490
Computer and software	568	338
Fees, meetings and general	6,337	3,317
Insurance	1,300	1,300
Professional fees	6,700	4,442
Printing, postage and publishing	2,366	5,427
Stationery and supplies	493	313
	155,172	142,308
 Excess (deficiency) of Revenue over Expenses	\$ 428,917	\$ 698,811

The accompanying notes are an integral part of these financial statements

J. D. Harkley, Chartered Accountant