



Financial Statements

Central Okanagan Land Trust

August 31, 2008

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Auditors' report

Grant Thornton LLP
200 - 1633 Ellis Street
Kelowna, BC
V1Y 2A8
T (250) 712-6800
(800) 661-4244 (Toll Free)
F (250) 712-6850
www.GrantThornton.ca

To the directors of
Central Okanagan Land Trust

We have audited the statement of financial position of Central Okanagan Land Trust as at August 31, 2008 and the statements of changes in net assets, revenues and expenditures and cash flows for the year then ended. These financial statements are the responsibility of the Trust's Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

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 the Trust's Directors, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Trust as at August 31, 2008 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the B.C. Society Act, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

Kelowna, BC

November 1, 2008

Grant Thornton LLP

Chartered accountants

Partners

Kevin Crookes, CA, CBV
Paul F. Gallo, CA
Mike Gilmore, CA, CFP
James R. Grant, MBA, CA
Bill McTavish, CGA, CA
Anne C. Postlewaite, CA
Dan Vass, CA
J. Kim Ward, CA, CFP
Bill Winters, CA, CFP

Central Okanagan Land Trust

Statement of financial position

| August 31 | 2008 | 2007 |
|----------------------------------|--------------|--------------|
| Assets | | |
| Current | | |
| Cash | \$ 1,392 | \$ 1,114 |
| Temporary investments (Note 4) | 105,612 | 55,970 |
| Interest receivable | 2,023 | 2,013 |
| Prepays | 500 | 500 |
| | 109,527 | 59,597 |
| Investments – long term (Note 4) | 29,146 | 72,956 |
| Capital (Note 5) | 994,000 | 994,000 |
| | \$ 1,132,673 | \$ 1,126,553 |
| Liabilities | | |
| Current | | |
| Payables and accruals | \$ 1,999 | \$ 2,249 |
| Deferred revenue (Note 6) | 23,751 | 26,036 |
| | 25,750 | 28,285 |
| Deferred contributions (Note 7) | 60,000 | 60,000 |
| | 85,750 | 88,285 |
| Net assets | | |
| Invested in capital assets | 994,000 | 994,000 |
| Unrestricted | 52,923 | 44,268 |
| | 1,046,923 | 1,038,268 |
| | \$ 1,132,673 | \$ 1,126,553 |

Commitment (Note 8)

On behalf of the Board

_____ Director _____ Director

See accompanying notes to the financial statements

Central Okanagan Land Trust

Statement of changes in net assets

Year ended August 31, 2008

| | Invested in capital <u>assets</u> | Unrestricted <u>net assets</u> | <u>2008</u> | <u>2007</u> |
|-----------------------------------|---|-----------------------------------|----------------------------|---------------------------|
| Balance, beginning of year | \$ 994,000 | \$ 44,268 | \$ 1,038,268 | \$1,029,363 |
| Net revenue | <u>-</u> | <u>8,655</u> | <u>8,655</u> | <u>8,905</u> |
| Balance, end of year | <u>\$ 994,000</u> | <u>\$ 52,923</u> | <u>\$ 1,046,923</u> | <u>\$1,038,268</u> |

See accompanying notes to the financial statements

Central Okanagan Land Trust

Statement of revenues and expenditures

| Year ended August 31 | 2008 | 2007 |
|--------------------------------------|-----------------|-----------------|
| Revenues | | |
| Grants - endowment deposits (Note 9) | \$ 5,511 | \$ 5,358 |
| Interest | 4,575 | 5,360 |
| Donations | 9,163 | 8,727 |
| Reforestation (Note 6) | 2,285 | 2,831 |
| | <u>21,534</u> | <u>22,276</u> |
| Expenditures | | |
| Liability insurance | 2,380 | 1,780 |
| Office supplies and memberships | 470 | 250 |
| Professional fees | 6,783 | 7,538 |
| Seminars | 325 | 772 |
| Reforestation (Note 6) | 2,285 | 2,831 |
| Volunteer expenses | 636 | 200 |
| | <u>12,879</u> | <u>13,371</u> |
| Net revenue | <u>\$ 8,655</u> | <u>\$ 8,905</u> |

See accompanying notes to the financial statements

Central Okanagan Land Trust

Statement of cash flows

Year ended August 31

2008

2007

Increase (decrease) in cash

Operating

| | | | | |
|---|----|--------------|----|--------------|
| Net revenue | \$ | 8,655 | \$ | 8,905 |
| Changes in non-cash operating working capital | | | | |
| Interest receivable | | (10) | | 2,769 |
| Prepays | | - | | (500) |
| Payables and accruals | | (250) | | 1,149 |
| Deferred revenue | | (2,285) | | (2,831) |
| | | <u>6,110</u> | | <u>9,492</u> |

Investing

| | | | | |
|------------------------------|--|----------------|--|----------------|
| Purchase of investments, net | | <u>(5,832)</u> | | <u>(9,126)</u> |
|------------------------------|--|----------------|--|----------------|

Increase in cash

278

366

Cash, beginning of year

1,114

748

Cash, end of year

\$ 1,392

\$ 1,114

See accompanying notes to the financial statements

Central Okanagan Land Trust

Notes to the financial statements

August 31, 2008

1. Nature of organization

The Trust is a registered charitable organization incorporated under the B.C. Society Act for the purpose of encouraging and promoting the preservation, conservation or fostering of nature or wildlife sanctuaries, parks or preserves.

The Trust is a registered charity within the definition of the Income Tax Act and therefore, as long as it complies with the rules and regulations of the Income Tax Act, is exempt from income taxes and may issue tax receipts to donors.

2. Summary of significant accounting policies

Capital assets

Contributed capital assets are recorded at fair value at the date of contribution. Covenants obtained on properties where the Trust has contributed to the acquisition of such properties are recorded at fair value, where fair value is reasonably determinable; or at nominal value, where fair value is not reasonably determinable.

Revenue recognition

The Trust follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which related expenditures are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. In kind contributions are recorded at their fair market value when received.

Financial instruments

The Trust's financial instruments consist of cash, temporary investments, interest receivable, long term investments and payables and accruals. Unless otherwise noted, it is management's opinion that the Trust is not exposed to significant interest, currency or credit risks arising from these financial instruments.

The classification of financial instruments is described in Note 3, change in accounting policies.

Use of estimates

Management has made estimates and assumptions that affect the amounts reported in preparing these financial statements. Actual results could differ from those estimates.

Central Okanagan Land Trust

Notes to the financial statements

August 31, 2008

3. Change in accounting policies

Financial instruments

On September 1, 2007, the Trust adopted CICA Handbook Sections 3855 *Financial Instruments Recognition and Measurement*, 3862 *Financial Instruments – Disclosure*, and 3863 *Financial Instruments – Presentation*. These standards have been applied without restatement of prior periods.

Section 3855, *Financial Instruments – Recognition and Measurement*, establishes guidance for recognizing and measuring financial assets, financial liabilities, and non-financial derivatives. Under the new standard, financial assets and liabilities are initially recognized at fair value and are subsequently accounted for based on their classification as described below. The classification depends on the purpose for which the financial instruments were acquired, their characteristics and choice where applicable.

Financial assets must be classified as held-for-trading (“HFT”), available-for-sale (“AFS”), held-to-maturity (“HTM”), or loans and receivables (“L&R”). Financial liabilities are required to be classified as held-for-trading (“HFT”) or other financial liabilities (“OFL”). All financial instruments, including derivatives, are measured at fair value, except for L&R, HTM and OFL which are measured at amortized cost. Both realized and unrealized gains and losses on HFT financial assets and financial liabilities are recognized in net earnings or allocated to deferred contributions or endowments to the extent that external restrictions require income to be added to their balances. Unrealized gains and losses on AFS financial assets are recognized directly in net assets or allocated to deferred contributions or endowments to the extent that external restrictions require income to be added to their balances.

Fair values are based on quoted market prices where available from active markets, otherwise fair values are estimated using a variety of valuation techniques and models.

Transaction costs related to financial instruments classified as HFT are expensed as incurred. Transactions costs related to other than financial instruments classified as HFT are capitalized and amortized using the effective interest method.

As a result of the adoption of these new standards, the Trust has classified its financial instruments as follows:

Temporary and long term investments - HFT
Interest receivable - L&R
Payables and accruals - OFL

The adoption of these new standards had no measurement impact on the Trust’s accounts as at September 1, 2007.

Central Okanagan Land Trust

Notes to the financial statements

August 31, 2008

4. Investments

Investments are comprised of

| | <u>2008</u> | <u>2007</u> |
|--|-------------------|------------------|
| Temporary | | |
| TD Canada Trust GIC matures on October 13, 2007 (3.30% interest) | \$ - | \$ 20,470 |
| TD Canada Trust GIC matures on May 2, 2008 (2.85% interest) | - | 14,000 |
| TD Canada Trust GIC matures on February 14, 2008 (3.75% interest) | - | 14,000 |
| TD Canada Trust GIC matures on June 23, 2008 (3.90% interest) | - | 7,500 |
| TD Canada Trust GIC matures on October 2, 2008 (3.95% interest) | 63,013 | - |
| TD Canada Trust GIC matures on October 15, 2008 (3.75% interest) | 20,599 | - |
| TD Canada Trust GIC matures on January 12, 2009 (3.45% interest) | 8,000 | - |
| TD Canada Trust GIC matures on April 2, 2009 (3.65% interest) | 14,000 | - |
| | \$ 105,612 | \$ 55,970 |
| Long term | | |
| TD Canada Trust GIC matures on October 2, 2008 (3.95% interest) | \$ - | \$ 64,956 |
| TD Canada Trust GIC matures on January 12, 2009 (3.65% interest) | - | 8,000 |
| TD Canada Trust GIC matures on February 1, 2010 (3.85% interest) | 7,500 | - |
| TD Canada Trust GIC matures on February 16, 2010 (3.70% interest) | 14,000 | - |
| TD Canada Trust GIC matures on June 23, 2010 (4.00% interest) | 7,646 | - |
| | \$ 29,146 | \$ 72,956 |

Central Okanagan Land Trust

Notes to the financial statements

August 31, 2008

| 5. Capital assets | <u>2008</u> | <u>2007</u> |
|-------------------|-------------------|-------------------|
| Land | \$ 916,000 | \$ 916,000 |
| Covenants | <u>78,000</u> | <u>78,000</u> |
| | <u>\$ 994,000</u> | <u>\$ 994,000</u> |

The Trust has the responsibility for ensuring that the Benvoulin Woods and the South Kelowna properties are retained in their natural condition in perpetuity. The three South Kelowna properties were received as an anonymous endowment.

The Trust also has a covenant for approximately one-half of an acre of the McLellan property adjacent to the Mission Creek Greenway under the condition that the Trust ensures that this natural area is preserved in perpetuity in its existing state. This covenant is carried at its estimated fair value.

The Trust has entered into a lease agreement whereby the three South Kelowna properties are leased to the Regional District of Central Okanagan for a period of 99 years starting February 15, 2006 for \$1 per year. The lands shall be preserved and/or developed by the Regional District of Central Okanagan as a park site; however, the land shall not be made available for use by the public during the lifetime of the donor.

The Trust also holds covenants on two properties owned by the Regional District of Central Okanagan and one property owned by the City of Kelowna where the undertaking is to hold the properties as either public park or in their natural state. The covenants on the properties owned by the Regional District of Central Okanagan are at nominal values, whereas the covenant on the property owned by the City of Kelowna is at the fair value at time of donation.

| | <u>2008</u> | <u>2007</u> |
|----------------------------|------------------|------------------|
| Covenants held comprised: | | |
| McLellan property | \$ 12,000 | \$ 12,000 |
| Cedar Mountain Park access | 1,000 | 1,000 |
| Robert Lake sanctuary | 1,000 | 1,000 |
| Thomson property | <u>64,000</u> | <u>64,000</u> |
| | <u>\$ 78,000</u> | <u>\$ 78,000</u> |

Central Okanagan Land Trust

Notes to the financial statements

August 31, 2008

6. Deferred revenue

The properties in South Kelowna owned by the Trust were devastated by the 2003 “firestorm” that struck the area. The net recovery from salvageable timber is deferred, together with grant proceeds, to defray additional anticipated costs of restoration or other improvements.

| | <u>2008</u> | <u>2007</u> |
|----------------------------|------------------|------------------|
| Balance, beginning of year | \$ 26,036 | \$ 28,867 |
| Reforestation costs | <u>(2,285)</u> | <u>(2,831)</u> |
| Balance, end of year | <u>\$ 23,751</u> | <u>\$ 26,036</u> |

7. Deferred contributions

Deferred contributions represent unspent resources externally restricted for specific projects. The donor of this gift permits the use of earnings on these funds for unrestricted purposes.

| | <u>2008</u> | <u>2007</u> |
|------------------------------------|------------------|------------------|
| Balance, beginning of year | \$ 60,000 | \$ 60,000 |
| Interest earned | 2,567 | 2,567 |
| Transferred to unrestricted income | <u>(2,567)</u> | <u>(2,567)</u> |
| Balance, end of year | <u>\$ 60,000</u> | <u>\$ 60,000</u> |

8. Commitment

As part of the agreement included in the Thomson property covenant, the Trust has committed to pay 50% of the cost of an information kiosk up to a maximum of \$5,000.

Central Okanagan Land Trust

Notes to the financial statements

August 31, 2008

9. Grants - endowment deposits

The Trust has established an endowment fund with the Central Okanagan Foundation. Income from the fund is received as grant revenue. As at August 31, 2008 the balance of the fund was \$60,247 (2007 - \$59,947).

The J.W. and M.E. Scott Family fund, the J.W. Bootle Family fund, the Charles Pettman Memorial fund, the Bernice Mabee Memorial fund, and the Harvey Whitson and Ruth Nuyens/Whitson fund with the Central Okanagan Foundation have designated the Trust to annually receive income earned by the funds. This income is received by the Trust as grant revenue. As at August 31, 2008 the balance of these funds benefiting the Trust was \$82,760 (2007 - \$70,980).

10. Grant expenditures

In addition to the property owned and the covenants held, the Trust has granted the under noted funds since inception to assist with the preservation of these natural areas:

| <u>Reference Name of Natural Area</u> | <u>Amounts</u> | <u>Ownership</u> |
|--|-------------------|---------------------------------------|
| Access to Craggs (Cedar Mountain Park) | \$ 18,000 | Regional District of Central Okanagan |
| Access to Coyote Ridge Park | 5,000 | Regional District of Central Okanagan |
| Gellatly Nut Farm | 5,000 | Regional District of Central Okanagan |
| Haase property on Mission Creek Greenway | 15,000 | Regional District of Central Okanagan |
| Lot 502 Okanagan Mountain Park | 25,000 | Province of British Columbia |
| Mission Creek Greenway project | 20,000 | Regional District of Central Okanagan |
| Robert Lake Bird Sanctuary | 24,000 | Regional District of Central Okanagan |
| Stanley property on Mission Creek Greenway | 5,000 | Regional District of Central Okanagan |
| Rose Valley Pond | 5,000 | Nature Trust |
| Rotary Marshes at Brandt Creek | 13,600 | City of Kelowna |
| | <u>\$ 135,600</u> | |