



Islands Trust Conservancy

Addendum

Date: Tuesday, May 24, 2022
Time: 10:00 am
Location: Electronic Zoom Meeting

Pages

5. BUSINESS

5.1. Items for Approval

5.1.1. *Audited Financial Statements - Request for Decision*

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REQUEST FOR DECISION

To: ITC Board

For the Meeting of: May 24, 2022

From: Staff

Date Prepared: May 20, 2022

SUBJECT: 2022/21 Audited Financial Statements

RECOMMENDATION: That the Islands Trust Conservancy approve the Audited Financial Statements for the 2021/22 fiscal year, and refer the statements to Islands Trust Council for information.

1 **PURPOSE:** To review and approve the Audited Financial Statements for 2021/22 fiscal year.

2 **BACKGROUND:** The Islands Trust Conservancy (ITC) undergoes an annual audit each year. The Audited Financial Statements and Audit Findings Report are provided to the board for review and approval. There are no findings that require any action.

3 **IMPLICATIONS OF RECOMMENDATION**

ORGANIZATIONAL: There are no findings that require action.

FINANCIAL: None.

POLICY: None.

IMPLEMENTATION/COMMUNICATIONS: The approved Audited Financial Statements will be posted to the ITC website, included in the 2021/22 Annual Report and provided to Trust Council in June as an information item.

FIRST NATIONS: Where known, Indigenous names of protected areas are used in the Financial Statements.

CLIMATE CHANGE: Note 1 (f) of the Financial Statements notes the importance of Natural Assets. The monetary value of natural assets from ITC lands is not shown on the Financial Statements.

OTHER: New items included in the 2021/22 financial statements are highlighted in the Audit Report. These include income and expenses associated with grants and the movement of land gifted through the Ecological Gifts Program from the Endowment Fund to the Capital Fund.

4 **RELEVANT POLICY(S):** None.

5 **ATTACHMENT(S):**

- Islands Trust Conservancy Audit Findings Report for the Year Ended March 31, 2022
- Audited Financial Statements of the Islands Trust Conservancy Year Ended March 31, 2022

RESPONSE OPTIONS

Recommendation: That the Islands Trust Conservancy approve the Audited Financial Statements for the 2021/22 fiscal year, and refer the statements to Islands Trust Council for information.

Alternative: None identified.

Prepared By: Kate Emmings, Manager, Islands Trust Conservancy

Islands Trust Conservancy

Audit Findings Report
for the year ended March 31, 2022

KPMG LLP

For the meeting on May 24, 2022

kpmg.ca/audit



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Executive summary

Purpose of this report¹

The purpose of this Audit Findings Report is to assist you, as a member of the Board, in your review of the results of our audit of the financial statements of the Islands Trust Conservancy (the “Conservancy”) as at and for the year ended March 31, 2022. This Audit Findings Report builds on the Audit Plan.

Changes from the Audit Plan

There have been no significant changes regarding our audit from the Audit Planning Report previously provided to you.

Finalizing the Audit

As of the date of this report, we have completed the audit of the financial statements, with the exception of certain remaining procedures, which include amongst others:

- completing our discussions with the Board;
- obtaining evidence of the Board’s approval of the financial statements; and
- obtaining the signed management representation letter.

We will update the Board, and not solely the Chair, on significant matters, if any, arising from the completion of the audit, including the completion of the above procedures. Our auditors’ report will be dated upon the completion of any remaining procedures.

Audit risks and results

We discussed with you at the start of the audit a number of financial reporting risks. These risks have been addressed in our audit.

We also discussed with you some other areas of audit focus. We have no significant matters to report to the Board in respect of them.

Significant accounting policies and practices

There have been no initial selections of, or changes to, significant accounting policies and practices to bring to your attention.

Adjustments and differences

We did not identify any misstatements that remain uncorrected.

We identified one adjustment that was corrected which resulted in a reduction of annual surplus of \$1.52M related to land under operating lease originally reported as capital.

Control and other observations

We did not identify any control deficiencies that we determined to be significant deficiencies in internal control over financial reporting.

Independence

We are independent with respect to the Conservancy within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation bodies in Canada and any applicable legislation or regulation.

Current developments

Please refer to Appendix 4 for the current developments and insights.

¹ This Audit Findings Report should not be used for any other purpose or by anyone other than the Board. KPMG shall have no responsibility or liability for loss or damages or claims, if any, to or by any third party as this Audit Findings Report has not been prepared for, and is not intended for, and should not be used by, any third party or for any other purpose.

Audit risks and results

We highlight our significant findings in respect of significant financial reporting risks as identified in our discussion with you in the Audit Plan, as well as any additional significant risks identified.

1	Significant Risk	Fraud risk from management override of controls.
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Why is it significant?

This is a presumed fraud risk.

We have not identified any specific additional risks of management override relating to this audit.

Our response and significant findings

We performed the required procedures under professional standards:

- Test all material journal entries made in the preparation of the year-end financial statements and other adjustments.
- A retrospective review of estimates, including the assumptions used by management.
- Evaluating the business rationale of significant unusual transactions.

We are satisfied that our audit work has appropriately dealt with the fraud risk from management override of controls.

Audit risks and results (continued)

Significant findings from the audit regarding other areas of focus are as follows:

2 Saturnina Island

Our response and significant findings

During the year, the Conservancy entered into a 99 year lease agreement with BC Parks Foundation for the Conservancy to manage Saturnina Island as a Nature Reserve.

Rent for the 99 year term is \$1 with a renewal period for another 99 year extension.

We performed the following procedures:

- We obtained and inspected the lease agreement and Land Title Office State of Title Certificate
- We reviewed the accounting treatment and presentation of the transaction in the financial statements.

Management originally recognized the land as an asset of the Conservancy. Upon review of the terms of the lease, ownership and control is retained by BC Parks Foundation. As a result, we recommended the land and donation revenue be removed from the financial statements of the Conservancy. Management has made this adjustment to the financial statements.

3 Classification of Properties under Ecological Gifts Program

Our response and significant findings

During the year, the Conservancy transferred lands received under Environment Canada's Ecological Gift Program from the Endowment Fund to the Capital Fund. The change was due to the Conservancy confirming with Environment and Climate Change Canada that its permission would not be required to dispose of properties received under this program. Under the Islands Trust Act, Provincial approval is required.

A transfer of \$3,809,931 was recorded during the year. For accounting purposes, this resulted in land being presented in the Capital Fund instead of Endowment Fund, a decrease in the fund balance restricted for endowment purposes and an increase in investment in land.

We inspected the correspondence between the Conservancy and Environment and Climate Change Canada. We reviewed the description of the funds in the notes to the financial statements. We noted no issues with the presentation or disclosure of the transfer in the financial statements.

Audit risks and results (continued)

4 Species at Risk (SAR) Grant

Our response and significant findings

During fiscal 2021, the Conservancy entered into an agreement with Environment and Climate Change Canada for funding the Species at Risk Program, supporting consolidation of SAR data, monitoring for SAR and incorporation of SAR needs and recovery into land management plans. The federal funding available is up to \$643,000 or 40% of total contributions. The project will be completed over a period of 3 years and the agreement ends March 31, 2023.

The grant for 2022 is \$242,500 (2021 - \$187,000). During fiscal 2022, the Conservancy received \$218,250 (2021 - \$133,500) and recognized \$24,250 (2021- \$53,500) as accounts receivable.

Expenses related to the program are incurred by Islands Trust. As a result, the Conservancy recognized revenue for the funds received and owing of \$242,500 (2021 - \$187,500) and an expense of the same amount to provide these funds to Islands Trust for costs incurred to execute the program.

We inspected the terms of the agreement, agreed the grant to cash received and assessed the accounting for transactions in the Conservancy financial statements. We noted no errors or adjustments.

Financial statement presentation and disclosure



Significant accounting policies

- There were no initial selections of or changes to the new significant accounting policies and practices.
- There were no significant accounting policies in controversial or emerging areas.
- There were no issues noted with the timing of the Conservancy's transactions in relation to the period in which they were recorded.
- There were no issues noted with the extent to which the financial statements are affected by a significant unusual transaction and extent of disclosure of such transactions.
- There were no issues noted with the extent to which the financial statements are affected by non-recurring amounts recognized during the period and extent of disclosure of such transactions.



Significant accounting estimates

- There were no issues noted with management's identification of accounting estimates.
- There were no issues noted with management's process for making accounting estimates.
- There were no indicators of possible management bias.
- There were no significant factors affecting the Conservancy's asset and liability carrying values.



Financial statement presentation and disclosure

- There were no issues noted with the judgments made, in formulating particularly sensitive financial statement disclosures.
- There were no issues noted with the overall neutrality, consistency, and clarity of the disclosures in the financial statements.
- There were no significant potential effects on the financial statements of significant risks, exposures and uncertainties.

Uncorrected differences and corrected adjustments

Differences and adjustments include disclosure differences and adjustments.

Professional standards require that we request of management and the Board that all identified differences be corrected. We have already made this request of management.

Uncorrected differences

We did not identify differences that remain uncorrected.

Corrected adjustments

One adjustment was noted and corrected in the financial statements that resulted in net decrease in land donation revenue and land of \$1,520,000.

Control deficiencies and other control observations

Consideration of internal control over financial reporting (“ICFR”)

A significant deficiency in internal control over financial reporting is a deficiency, or combination of deficiencies, in internal control that, in the auditor’s professional judgment, is of sufficient importance to merit the attention of those charged with governance.

In planning and performing our audit, we considered ICFR relevant to the Conservancy’s preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on ICFR.

Our understanding of internal control over financial reporting was for the limited purpose described above and was not designed to identify all control deficiencies that might be significant deficiencies. The matters being reported are limited to those deficiencies that we have identified during the audit that we have concluded are of sufficient importance to merit being reported to those charged with governance.

Our awareness of control deficiencies varies with each audit and is influenced by the nature, timing, and extent of audit procedures performed, as well as other factors. Had we performed more extensive procedures on internal control over financial reporting, we might have identified more significant deficiencies to be reported or concluded that some of the reported significant deficiencies need not, in fact, have been reported.

Significant deficiencies

We did not identify any significant deficiencies in internal control over financial reporting.

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Appendices

Content

Appendix 1: Required communications

Appendix 2: Audit Quality and Risk Management

Appendix 3: Management Representation Letter

Appendix 4: Current Developments



Appendix 1: Other Required Communications

In accordance with professional standards, there are a number of communications that are required during the course of and upon completion of our audit. These include:

Auditor's report	Management representation letter
The conclusion of our audit is set out in our draft auditors' report attached to the draft financial statements.	We will obtain from management at the completion of the audit. In accordance with professional standards, a copy of the representation letter is provided to the Board in Appendix 3.

Appendix 2: Audit Quality and Risk Management

Quality essentially means doing the right thing and remains our highest priority. Our **Global Quality Framework** outlines how we deliver quality and how every partner and staff member contributes to its delivery.

'Perform quality engagements' sits at the core along with our commitment to continually monitor and remediate to fulfil on our quality drivers.

Our **quality value drivers** are the cornerstones to our approach underpinned by the **supporting drivers** and give clear direction to encourage the right behaviours in delivering audit quality.

We define '**audit quality**' as being the outcome when:

- audits are **executed consistently**, in line with the requirements and intent of **applicable professional standards** within a strong **system of quality controls**; and
- all of our related activities are undertaken in an environment of the utmost level of **objectivity, independence, ethics, and integrity**.



Doing the right thing. Always.

Appendix 3: Management Representation Letter

Prior to the release of the auditors' report, we will obtain from management a signed management representation letter – a copy of the letter is included below.

Date of Board approval of Financial Statements

Ladies and Gentlemen:

We are writing at your request to confirm our understanding that your audit was for the purpose of expressing an opinion on the financial statements (hereinafter referred to as "financial statements") of Islands Trust Conservancy ("the Entity") as at and for the period ended March 31, 2022.

General:

We confirm that the representations we make in this letter are in accordance with the definitions as set out in [Attachment I](#) to this letter.

We also confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Responsibilities:

- 1) We have fulfilled our responsibilities, as set out in the terms of the engagement letter dated July 9, 2021, including for:
 - a) the preparation and fair presentation of the financial statements and believe that these financial statements have been prepared and present fairly in accordance with the relevant financial reporting framework.
 - b) providing you with all information of which we are aware that is relevant to the preparation of the financial statements, such as all financial records and documentation and other matters, including:
 - the names of all related parties and information regarding all relationships and transactions with related parties; and
 - the complete minutes of meetings, or summaries of actions of recent meetings for which minutes have not yet been prepared, of the board of trustees and committees of the board of trustees that may affect the financial statements. All significant actions are included in such summaries.
 - c) providing you with unrestricted access to such relevant information.
 - d) providing you with complete responses to all enquiries made by you during the engagement.
 - e) providing you with additional information that you may request from us for the purpose of the engagement.
 - f) providing you with unrestricted access to persons within the Entity from whom you determined it necessary to obtain audit evidence.
 - g) such internal control as we determined is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. We also acknowledge and understand that we are responsible for the design, implementation and maintenance of internal control to prevent and detect fraud.
 - h) ensuring that all transactions have been recorded in the accounting records and are reflected in the financial statements.

Internal control over financial reporting:

- 2) We have communicated to you all deficiencies in the design and implementation or maintenance of internal control over financial reporting of which we are aware.

Fraud & non-compliance with laws and regulations:

- 3) We have disclosed to you:



- a) the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- b) all information in relation to fraud or suspected fraud that we are aware of that involves:

- management;
- employees who have significant roles in internal control over financial reporting; or
- others

where such fraud or suspected fraud could have a material effect on the financial statements.

- c) all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements, communicated by employees, former employees, analysts, regulators, or others.
- d) all known instances of non-compliance or suspected non-compliance with laws and regulations, including all aspects of contractual agreements, whose effects should be considered when preparing financial statements.
- e) all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Subsequent events:

- 4) All events subsequent to the date of the financial statements and for which the relevant financial reporting framework requires adjustment or disclosure in the financial statements have been adjusted or disclosed.

Related parties:

- 5) We have disclosed to you the identity of the Entity's related parties.
- 6) We have disclosed to you all the related party relationships and transactions/balances of which we are aware.
- 7) All related party relationships and transactions/balances have been appropriately accounted for and disclosed in accordance with the relevant financial reporting framework.

Estimates:

- 8) The methods, the data and the significant assumptions used in making accounting estimates, and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in the context of the applicable financial reporting framework.

Going concern:

- 9) We have provided you with all information relevant to the use of the going concern assumption in the financial statements.
- 10) We confirm that we are not aware of material uncertainties related to events or conditions that may cast significant doubt upon the Entity's ability to continue as a going concern.

Misstatements:

- 11) We approve the corrected misstatements identified by you during the audit described in Attachment II.

Non-SEC registrants or non-reporting issuers:

- 12) We confirm that the Entity is not a Canadian reporting issuer (as defined under any applicable Canadian securities act) and is not a United States Securities and Exchange Commission ("SEC") Issuer (as defined by the Sarbanes-Oxley Act of 2002).
- 13) We also confirm that the financial statements of the Entity will not be included in the consolidated financial statements of a Canadian reporting issuer audited by KPMG or an SEC Issuer audited by any member of the KPMG organization.

Other information:

- 14) We confirm that the final version of Annual Report will be provided to you when available, and prior to issuance by the Entity, to enable you to complete your audit procedures in accordance with professional standards.

Commitments & contingencies:

- 15) There are no:
- a) other liabilities that are required to be recognized and no other contingent assets or contingent liabilities that are required to be disclosed in the financial statements in accordance with the relevant financial reporting framework, including liabilities or contingent liabilities arising from illegal acts or possible illegal acts, or possible violations of human rights legislation
 - b) other environmental matters that may have an impact on the financial statements.

Yours very truly,

ISLANDS TRUST CONSERVANCY

Mr. Russ Hotsenpiller, Chief Administrative Officer

Ms. Julia Mobbs, Director of Administrative Services

Attachment I – Definitions

Materiality

Certain representations in this letter are described as being limited to matters that are material.

Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Judgments about materiality are made in light of surrounding circumstances, and are affected by perception of the needs of, or the characteristics of, the users of the financial statements and, the size or nature of a misstatement, or a combination of both while also considering the entity's own circumstances.

Fraud & error

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users.

Misappropriation of assets involves the theft of an entity's assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorization.

An error is an unintentional misstatement in financial statements, including the omission of an amount or a disclosure.

Attachment II – Summary of Audit Misstatements

One adjustment was noted and corrected in the financial statements that resulted in a decrease in land donation revenue and a decrease in land of \$1,520,000.

Appendix 4: Current developments and audit trends

Thought leadership – Local governments

Thought leadership	Overview	Links
Cities portal	KPMG in Canada provides insights and resources for municipalities on a variety of topics including achieving sustainable infrastructure, the new reality for government in Canada, drinking water supply and park access.	Link to Canadian portal
The Future of Local Government	The Future of Local Government report provides a Canadian perspective for how local governments can meet the rapidly changing needs and expectations of their stakeholders – the citizens, partners and leaders across diverse cities and communities they serve.	Link to Canadian portal
The Future of Cities	The Future of Cities report unpacks our KPMG Global research and insights on the future of local government, providing an international viewpoint. The report traces the unprecedented journey ahead. Cities worldwide are now poised at a significant inflection point, as their leaders realize that long-held ‘one-size-fits-all’ approaches to planning and policies will likely no longer work to shape cities for a future that is truly healthy, sustainable, efficient and prosperous for all.	Link to Global portal
The Future of Government	The Future of Government report considers all levels of government and provides additional perspective from the content in the Future of Local Government report. It discusses the opportunity for governments to consider a different vision of Canadian social systems and how they can adapt their operations to reflect the needs of a modern Canada.	Link to Canadian portal
CX Coffee Chats: Modernizing Government	As a result of the pandemic, government organizations have been faced with unprecedented demand for digital transformation in the delivery of services to Canadians. In the latest installment of the CX Coffee Chat series, industry specialists discuss the evolving needs of Canadians and the opportunities for government organizations to deliver online services citizens can count on.	Link to Canadian portal
20 Predictions for the Next 20 Years	This series looks at how new technologies could evolve and how these advances will change every facet of our lives, including the industries and sectors that drive them. We asked KPMG in Canada subject matter specialists, across industries and sectors, to tell us how they think the world will change in the next two decades. Specifically for local governments, the political and regulatory predictions may be especially relevant.	Link to Canadian portal
Principles for Digital Transformation in Cities	This report was authored by KPMG and published as part of the World Government Summit. The report highlights the realization of ‘smart digitalization’ and how it differs across cities.	Link to report

Thought leadership – Environmental, social, and governance (ESG)

Thought leadership	Overview	Links
Unleashing the Positive in Net Zero	CoP26 in Glasgow made some progress to tackling climate change but there is much more to do. At KPMG, we're committed to accelerating the changes required to fight climate change. Our Global portal provides links to further thought leadership to help drive real change.	Link to Global portal
KPMG Climate Change Financial Reporting Resource Centre	KPMG's climate change resource centre provides FAQs to help you identify the potential financial statement impacts for your business.	Link to Global portal
You Can't Go Green Without Blue – The Blue Economy is Critical to All Companies' ESG Ambitions	In this report, KPMG considers how leading corporates and investors can take action to capture the value that can be found in a healthy, sustainable ocean economy.	Link to Canadian portal
ESG, Strategy and the Long View	This paper presents a five-part framework to help organizations understand and shape the total impact of their strategy and operations on their performance externally – on the environment, consumers, employees, the communities in which it operates, and other stakeholders – and internally.	Link to Global portal
Inclusion and diversity practices	In 2021 societal changes brought more attention to inclusion and diversity. In this age of transparency, businesses must act proactively to implement strategic inclusion and diversity practices. It has become increasingly important for organizations to adopt I&D initiatives in order to foster an enjoyable work environment for their employees. Learn how to consider your own organizations' unique context, meet with the stakeholders you want to include, understand where they are at, and guide them along their own individual transformation journey.	Link to Canadian portal

Thought leadership – Digital and technology

Thought leadership	Overview	Link
Going digital, faster in Canada	Pre-COVID-19, private and public organizations were moving towards a digital business model, travelling at varying speeds. But the pandemic forced a dramatic acceleration, both in the speed of change and the required investment to digitally transform. According to Canadian insights from KPMG's recent global survey, organizations are investing heavily in technology to address immediate concerns, ranging from falling revenue and interrupted supply chains to building longer-term competitiveness and operational resilience.	Link to Canadian portal

Thought leadership – Board, Audit Committee and C-Suite

Resources	Summary	Links
Accelerate	Our Accelerate series offer insight into the key issues that will drive the Audit Committee agenda in 2022 in a number of key areas: cyber-related risk, digital transformation in the finance function, the 'Great Resignation' impacting finance, climate-related physical risks, enterprise risk management, and building a climate-conscious organization.	Link to Canadian Accelerate 2022 Insights series
KPMG 2021 CEO Outlook – Canadian Insights	This year we surveyed over 1,300 CEOs globally and the results are pointing to an optimistic outlook amongst Canadian CEOs. Some of the key themes coming out of the survey include expectations for aggressive growth through expansion, investment in both people and technology as well as a focus on delivering on environmental, social and governance (ESG) and sustainability commitments.	Link to Canadian portal
Board Leadership Centre + Audit Committee Guide	<p>KPMG in Canada Board Leadership Centre engages with directors, board members and business leaders to discuss timely and relevant boardroom challenges and deliver practical thought leadership on risk and strategy, talent and technology, globalization and regulatory issues, financial reporting and more.</p> <p>The new Audit Committee Guide – Canadian Edition from our Board Leadership Centre provides timely, relevant and trusted guidance to help both new and seasoned audit committee members stay informed.</p>	Link to Canadian portal Link to 2021 guide

Appendix 4: Current developments (continued)

Public Sector Accounting Standards

Standard	Summary and implications
Asset Retirement Obligations	<ul style="list-style-type: none"> – The new standard is effective for fiscal years beginning on or after April 1, 2022. – The new standard addresses the recognition, measurement, presentation and disclosure of legal obligations associated with retirement of tangible capital assets in productive use. Retirement costs will be recognized as an integral cost of owning and operating tangible capital assets. PSAB currently contains no specific guidance in this area. – The ARO standard will require the public sector entity to record a liability related to future costs of any legal obligations to be incurred upon retirement of any controlled tangible capital assets (“TCA”). The amount of the initial liability will be added to the historical cost of the asset and amortized over its useful life. – As a result of the new standard, the public sector entity will have to: <ul style="list-style-type: none"> • Consider how the additional liability will impact net debt, as a new liability will be recognized with no corresponding increase in a financial asset; • Carefully review legal agreements, senior government directives and legislation in relation to all controlled TCA to determine if any legal obligations exist with respect to asset retirements; • Begin considering the potential effects on the organization as soon as possible to coordinate with resources outside the finance department to identify AROs and obtain information to estimate the value of potential AROs to avoid unexpected issues.
Revenue	<ul style="list-style-type: none"> – The new standard is effective for fiscal years beginning on or after April 1, 2023. The effective date was deferred by one year due to COVID-19. – The new standard establishes a single framework to categorize revenues to enhance the consistency of revenue recognition and its measurement. – The standard notes that in the case of revenues arising from an exchange transaction, a public sector entity must ensure the recognition of revenue aligns with the satisfaction of related performance obligations. – The standard notes that unilateral revenues arise when no performance obligations are present, and recognition occurs when there is authority to record the revenue and an event has happened that gives the public sector entity the right to the revenue.

Standard	Summary and implications
Employee Future Benefit Obligations	<ul style="list-style-type: none"> – PSAB has initiated a review of sections PS3250 <i>Retirement Benefits</i> and PS3255 <i>Post-Employment Benefits, Compensated Absences and Termination Benefits</i>. In July 2020, PSAB approved a revised project plan. – PSAB intends to use principles from International Public Sector Accounting Standard 39 <i>Employee Benefits</i> as a starting point to develop the Canadian standard. – Given the complexity of issues involved and potential implications of any changes that may arise from the review of the existing guidance, PSAB will implement a multi-release strategy for the new standards. The first standard will provide foundational guidance. Subsequent standards will provide additional guidance on current and emerging issues. – PSAB released an exposure draft on proposed section PS3251, <i>Employee Benefits</i> in July 2021. Comments to PSAB on the proposed section were due by November 25, 2021. Proposed Section PS 3251 would apply to fiscal years beginning on or after April 1, 2026 and should be applied retroactively. Earlier adoption is permitted. The proposed PS3251 would replace existing Section PS 3250 and Section PS 3255. This proposed section would result in organizations recognizing the impact of revaluations of the net defined benefit liability (asset) immediately on the statement of financial position. Organizations would also assess the funding status of their post-employment benefit plans to determine the appropriate rate for discounting post-employment benefit obligations.
Public Private Partnerships (“P3”)	<ul style="list-style-type: none"> – PSAB has introduced Section PS3160, which includes new requirements for the recognition, measurement and classification of infrastructure procured through a public private partnership. The standard has an effective date of April 1, 2023, and may be applied retroactively or prospectively. – The standard notes that recognition of infrastructure by the public sector entity would occur when it controls the purpose and use of the infrastructure, when it controls access and the price, if any, charged for use, and it controls any significant interest accumulated in the infrastructure when the P3 ends. – The public sector entity recognizes a liability when it needs to pay cash or non-cash consideration to the private sector partner for the infrastructure. – The infrastructure would be valued at cost, which represents fair value at the date of recognition with a liability of the same amount if one exists. Cost would be measured in reference to the public private partnership process and agreement, or by discounting the expected cash flows by a discount rate that reflects the time value of money and risks specific to the project.

Standard	Summary and implications
Concepts Underlying Financial Performance	<ul style="list-style-type: none"> – PSAB is in the process of reviewing the conceptual framework that provides the core concepts and objectives underlying Canadian public sector accounting standards. – PSAB released four exposure drafts in early 2021 for the proposed conceptual framework and proposed revised reporting model, and their related consequential amendments. The Board is in the process of considering stakeholder comments received. – PSAB is proposing a revised, ten chapter conceptual framework intended to replace PS 1000 <i>Financial Statement Concepts</i> and PS 1100 <i>Financial Statement Objectives</i>. The revised conceptual framework would be defined and elaborate on the characteristics of public sector entities and their financial reporting objectives. Additional information would be provided about financial statement objectives, qualitative characteristics and elements. General recognition and measurement criteria, and presentation concepts would be introduced. – In addition, PSAB is proposing: <ul style="list-style-type: none"> • Relocation of the net debt indicator to its own statement and the statement of net financial assets/liabilities, with the calculation of net debt refined to ensure its original meaning is retained. • Separating liabilities into financial liabilities and non-financial liabilities. • Restructuring the statement of financial position to present non-financial assets before liabilities. • Changes to common terminology used in the financial statements, including re-naming accumulated surplus (deficit) to net assets (liabilities). • Removal of the statement of remeasurement gains (losses) with the information instead included on a new statement called the statement of changes in net assets (liabilities). This new statement would present the changes in each component of net assets (liabilities), including a new component called “accumulated other”. • A new provision whereby an entity can use an amended budget in certain circumstances. – Inclusion of disclosures related to risks and uncertainties that could affect the entity’s financial position.

Standard	Summary and implications
Purchased Intangibles	<ul style="list-style-type: none"> – In October 2019, PSAB approved a proposal to allow public sector entities to recognize intangibles purchased through an exchange transaction. Practitioners are expected to use the definition of an asset, the general recognition criteria and the GAAP hierarchy to account for purchased intangibles. – PSAB has approved Public Sector Guideline 8 which allows recognition of intangibles purchased through an exchange transaction. Narrow-scope amendments were made to Section PS 1000 Financial statement concepts to remove prohibition on recognition of intangibles purchased through exchange transactions and PS 1201 Financial statement presentation to remove the requirement to disclose that purchased intangibles are not recognized. – The effective date is April 1, 2023 with early adoption permitted. Application may be retroactive or prospective.
2022 – 2027 Strategic Plan	<ul style="list-style-type: none"> – PSAB's Draft 2022 – 2027 Strategic Plan was issued for public comment in May 2021. Comments were requested for October 6, 2021. – The Strategic Plan sets out broad strategic objectives that help guide PSAB in achieving its public interest mandate over a multi-year period, and determining standard-setting priorities – The Strategic Plan emphasizes four key priorities: – Develop relevant and high-quality accounting standards - Continue to develop relevant and high-quality accounting standards in line with PSAB's due process, including implementation of the international strategy (focused on adapting International Public Sector Accounting Standards for new standards) and completion of the Conceptual Framework and Reporting Model project. – Enhance and strengthen relationships with stakeholders - Includes increased engagement with Indigenous Governments and exploring the use of customized reporting. – Enhance and strengthen relationships with other standard setters – In addition to continued collaboration with other standard setters, this emphasizes strengthened relationship with the IPSASB. – Support forward-looking accounting and reporting initiatives – Supporting and encouraging ESG reporting, and consideration of the development of ESG reporting guidance for the Canadian public sector.



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Financial Statements of

**THE ISLANDS TRUST
CONSERVANCY**

And Independent Auditors' Report thereon

Year ended March 31, 2022

INDEPENDENT AUDITORS' REPORT

To the Trustees of The Islands Trust Conservancy Board, the Trustees of Islands Trust and the Minister of Municipal Affairs

Opinion

We have audited the financial statements of the Islands Trust Conservancy (the Entity) which comprise:

- the statement of financial position as at March 31, 2022
- the statement of operations for the year then ended
- the statement of changes in fund balances 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, except for the possible effects of the matter described in the 'Basis for Qualified Opinion' section of our auditors' report, the financial statements present fairly, in all material respects, the financial position of the Entity as at March 31, 2022, and its results of operations, its changes in fund balances and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Entity derives revenue from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Entity.

Therefore, we were not able to determine whether any adjustments might be necessary to:

- the current assets reported in the statements of financial position as at March 31, 2022 and March 31, 2021
- the donations revenues and excess of revenues over expenses reported in the statements of operations for the years ended March 31, 2022 and March 31, 2021
- the fund balances, at the beginning and end of the year, reported in the statements of changes in fund balances for the years ended March 31, 2022 and March 31, 2021
- the excess of revenues over expenses reported in the statements of cash flows for the years ended March 31, 2022 and March 31, 2021.

Our opinion on the financial statements for the year ended March 31, 2021 was qualified accordingly because of the possible effects of this limitation in scope.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the ***“Auditors’ Responsibilities for the Audit of the Financial Statements”*** section of our auditors’ 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 the Entity’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 the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity’s financial reporting process.

Auditors’ 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 auditors’ 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 the Entity'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 the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Entity 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

_____, 2022

THE ISLANDS TRUST CONSERVANCY

Statement of Financial Position

March 31, 2022, with comparative information for 2021

	Opportunity Fund	Restricted Fund	Capital Fund	Endowment Fund	2022 Total	2021 Total
(Schedule 1)						
Assets:						
Current assets:						
Cash	\$ 114,230	\$ 180,481	\$ -	\$ -	\$ 294,711	\$ 364,174
Short-term investments (note 2)	-	181,633	-	88,000	269,633	277,225
Grants receivable	-	31,950	-	-	31,950	53,500
	114,230	394,064		88,000	596,294	694,899
Investments	-	167,750	-	-	167,750	-
Land (notes 3 and 5)	-	-	14,137,100	3,076,601	17,213,701	17,213,701
	\$ 114,230	\$ 561,814	\$ 14,137,100	\$ 3,164,601	\$ 17,977,745	\$ 17,908,600
Liabilities:						
Current liabilities:						
Due to Islands Trust	\$ -	\$ 88,174	\$ -	\$ -	\$ 88,174	\$ 81,598
Fund Balances:						
Unrestricted	114,230	-	-	-	114,230	15,754
Investment in land (note 3)	-	-	14,137,100	-	14,137,100	10,327,169
Internally restricted (note 4)	-	32,043	-	-	32,043	35,632
Externally restricted (note 4)	-	441,597	-	-	441,597	473,915
Restricted for endowment purposes (note 5)	-	-	-	3,164,601	3,164,601	6,974,532
	114,230	473,640	14,137,100	3,164,601	17,889,571	17,827,002
Subsequent event (note 9)						
	\$ 114,230	\$ 561,814	\$ 14,137,100	\$ 3,164,601	\$ 17,977,745	\$ 17,908,600

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

Approved by the Islands Trust Conservancy Board:

_____ Board member

_____ Board member

DRAFT - May 20, 2022

THE ISLANDS TRUST CONSERVANCY

Statement of Operations

Year ended March 31, 2022, with comparative information for 2021

	Opportunity Fund	Restricted Fund	Capital Fund	Endowment Fund	2022 Total	2021 Total
(Schedule 2)						
Revenue:						
Donations:						
Cash	\$ 104,847	\$ 2,700	\$ -	\$ -	\$ 107,547	\$ 16,963
Land	-	-	-	-	-	3,023,000
Grants	-	280,704	-	-	280,704	207,144
Rental income	-	10,455	-	-	10,455	10,455
Investment income (loss)	250	(6,587)	-	-	(6,337)	28,980
	105,097	287,272	-	-	392,369	3,286,542
Expenses:						
Repairs and maintenance - Alton property	-	21,788	-	-	21,788	9,108
Property management	-	4,880	-	-	4,880	-
Bank charges	121	11	-	-	132	110
Grants to external parties	6,500	15,500	-	-	22,000	9,994
Species at Risk	-	242,500	-	-	242,500	187,000
Conservation Stimulus	-	38,500	-	-	38,500	-
	6,621	323,179	-	-	329,800	206,212
Excess (deficiency) of revenue over expenses	\$ 98,476	\$ (35,907)	\$ -	\$ -	\$ 62,569	\$ 3,080,330

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

THE ISLANDS TRUST CONSERVANCY

Statement of Changes in Fund Balances

Year ended March 31, 2022, with comparative information for 2021

	Opportunity Fund	Restricted Fund	Capital Fund	Endowment Fund	Total
Fund balances, March 31, 2020	\$ 21,731	\$ 446,240	\$ 7,624,169	\$ 6,654,532	\$ 14,746,672
Excess (deficiency) of revenue over expenses	6,023	51,307	2,703,000	320,000	3,080,330
Interfund transfer (note 6)	(12,000)	12,000	-	-	-
Fund balances, March 31, 2021	15,754	509,547	10,327,169	6,974,532	17,827,002
Excess (deficiency) of revenue over expenses	98,476	(35,907)	-	-	62,569
Interfund transfer (note 6)	-	-	3,809,931	(3,809,931)	-
Fund balances, March 31, 2022	\$ 114,230	\$ 473,640	\$ 14,137,100	\$ 3,164,601	\$ 17,889,571

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

THE ISLANDS TRUST CONSERVANCY

Statement of Cash Flows

Year ended March 31, 2022, with comparative information for 2021

	2022	2021
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 62,569	\$ 3,080,330
Item not involving cash:		
Donation of land	-	(3,023,000)
Changes in non-cash operating working capital:		
Accounts payable	-	(3,715)
Grants receivable	21,550	(53,500)
Due to Islands Trust	6,576	81,789
	90,695	81,904
Investing activities:		
Decrease (increase) in short-term investments	7,592	(27,792)
Redemption (purchase) of investments	(167,750)	113,155
	(160,158)	85,363
Increase (decrease) in cash	(69,463)	167,267
Cash, beginning of year	364,174	196,907
Cash, end of year	\$ 294,711	\$ 364,174

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

THE ISLANDS TRUST CONSERVANCY

Notes to Financial Statements

Year ended March 31, 2022

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

The Islands Trust Council (the "Trust") is also incorporated under The Islands Trust Act of British Columbia. 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 Trust Conservancy is administered by the Trust and for financial reporting purposes, the Trust and the Trust Conservancy are reported on separately. The Trust Conservancy'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 Conservancy.

1. Significant accounting policies:

The financial statements have been prepared in accordance with Canadian Public Sector Accounting Standards including the 4200 standards for government not-for-profit organizations:

(a) Fund accounting:

The Trust Conservancy 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 Conservancy's capital assets.

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

(b) Financial instruments:

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. Management has elected to record all investments at fair value as they are managed and evaluated on a fair value basis.

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.

THE ISLANDS TRUST CONSERVANCY

Notes to Financial Statements

Year ended March 31, 2022

1. Significant accounting policies (continued):

(b) Financial instruments (continued):

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 and any unrealized gain is adjusted through the statement of remeasurement gains and losses. When the asset is sold, the unrealized gains and losses previously recognized in the statement of remeasurement gains and losses are reversed and recognized in the statement of operations. During the years presented, there are no unrealized gains and losses, and as a result, no statement of remeasurement gains and losses has been included in these financial statements. All investments held by the Trust Conservancy are classified as Level 2 investments for fair value measurement and there were no changes in classification in the years presented.

(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.

THE ISLANDS TRUST CONSERVANCY

Notes to Financial Statements

Year ended March 31, 2022

1. Significant accounting policies (continued):

(e) 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 Conservancy 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.

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.

(f) Natural assets:

The Trust Conservancy is fortunate to have, and to be mandated to protect, many natural assets in the Island 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 (rain water 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 Conservancy acknowledges the importance of these assets and the need to manage them in conjunction with engineered infrastructure that is managed by other government agencies.

(g) 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. Estimates include assumptions used in estimating the fair value of contributed land at the date of contribution. Actual results could differ from those estimates.

2. Short-term investments:

Short-term investments consist of an endowment fund with the Victoria Foundation and Municipal Finance Authority of British Columbia ("MFA") Short Term Bond and Money Market Funds. Investments in MFA Funds are recorded at market value.

THE ISLANDS TRUST CONSERVANCY

Notes to Financial Statements

Year ended March 31, 2022

3. Land:

	Acquisition year	2022	2021
Inner Island Nature Reserve, Denman Island	1992	\$ 70,000	\$ 70,000
Coats Millstone Reserve, Gabriola Island	1994	100,000	100,000
E,HO, (Medicine Beach) Nature Sanctuary, North Pender Island	1996	477,000	477,000
Cunningham Nature Reserve, Salt Spring Island	1994	265,000	265,000
Deep Ridge Nature 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, Denman Island	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
S'ul-hween X'pey (Elder Cedar) Nature Reserve, Gabriola Island	2007	658,000	658,000
Mount Artaban Nature Reserve, Gambier Island	2009	1,177,000	1,177,000
Fairy Fen Nature Reserve, Bowen Island	2011	1,817,000	1,817,000
Laughlin Lake Nature Reserve, Galiano Island	2013	56,000	56,000
Vanilla Leaf Land Nature Reserve, Galiano Island	2014	217,000	217,000
Fairyslipper Forest Nature Reserve, Thetis Island	2017	550,266	550,266
Sandy Beach Nature Reserve, Keats Island	2021	2,703,000	2,703,000
		10,327,169	10,327,169
Properties acquired under the Federal Government Ecological Gifts Program:			
Mt. Trematon Nature Reserve, Lasqueti Island	2006	320,000	-
David Otter Nature Reserve, Bowen Island	2007	620,000	-
John Osland Nature Reserve, Lasqueti Island	2012	890,000	-
Valens Brook Nature Reserve Lot A, Denman Island	2013	280,000	-
Burren's Acres Nature Reserve, Gabriola Island	2014	210,000	-
Moore Hill Nature Reserve, Thetis Island	2017	780,000	-
Valens Brook Nature Reserve Lot 1, Denman Island	2019	85,000	-
Salish View Nature Reserve, Lasqueti Island	2020	304,931	-
Lisa Baile Nature Reserve, North Pender Island	2021	320,000	-
		3,809,931	-
		\$ 14,137,100	\$ 10,327,169

In 2022, a transfer of \$3,809,931 from the Endowment Fund to the Capital Fund was made, reflecting the value of lands historically received under the Ecological Gift Program. The Conservancy has a 99 year lease with BC Parks Foundation to manage Lands owned by the Foundation as a Nature Reserve.

THE ISLANDS TRUST CONSERVANCY

Notes to Financial Statements

Year ended March 31, 2022

4. Restricted Fund balances:

	2022	2021
Internally restricted:		
McFadden Creek management fund	\$ 21,393	\$ 23,632
Property Management fund	10,650	12,000
	32,043	35,632
Externally restricted:		
Alton Nature Reserve - maintenance fund	156,758	160,128
Morrison Fund	14,809	20,294
Covenant Defense Fund	115,790	115,273
Lasqueti Acquisition Fund	27,541	35,304
Gambier Acquisition Fund	125,398	129,121
Thetis Island Acquisition Fund	1,301	1,295
Conservation Stimulus Fund	-	12,500
	441,597	473,915
	\$ 473,640	\$ 509,547

5. Restricted for endowment purposes:

	Acquisition year	2022	2021
Short-term investments			
Alton Nature Reserve - maintenance	2002	\$ 88,000	\$ 88,000
Land:			
Lindsay Dickson Nature Reserve, Denman Island	2001	2,200,000	2,200,000
Alton Nature Reserve, Salt Spring Island	2002	454,000	454,000
McFadden Creek Nature Sanctuary, Salt Spring Island	2015	422,601	422,601
Properties acquired under the Federal Government Ecological Gifts program:			
Mt. Trematon Nature Reserve, Lasqueti Island	2006	-	320,000
David Otter Nature Reserve, Bowen Island	2007	-	620,000
John Osland Nature Reserve, Lasqueti Island	2012	-	890,000
Valens Brook Nature Reserve Lot A, Denman Island	2013	-	280,000
Burren's Acres Nature Reserve, Gabriola Island	2014	-	210,000
Moore Hill Nature Reserve, Thetis Island	2017	-	780,000
Valens Brook Nature Reserve Lot 1, Denman Island	2019	-	85,000
Salish View Nature Reserve, Lasqueti Island	2020	-	304,931
Lisa Baile Nature Reserve, North Pender Island	2021	-	320,000
		3,076,601	6,886,532
		\$ 3,164,601	\$ 6,974,532

In 2022, a transfer of \$3,809,931 from the Endowment Fund to the Capital Fund was made, reflecting the value of lands historically received under the Ecological Gift Program.

THE ISLANDS TRUST CONSERVANCY

Notes to Financial Statements

Year ended March 31, 2022

5. Restricted for endowment purposes (continued):

Investment gains (losses) on endowment funds for the year of (\$6,587) (2021 - \$22,914) have been recorded in the Restricted Fund.

Two properties owned by the Trust Conservancy, 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.

In 2015, the McFadden Creek Nature Sanctuary on Salt Spring Island was donated to the Trust Conservancy on the condition that the property was to be protected, preserved and maintained in its natural state. Should a disposition of this property ever be triggered, there is a Right of First Refusal on the property in favor of the Wild Bird Trust of BC.

6. Interfund transfer:

During the year, Environment and Climate Change Canada amended its classification of the Trust Conservancy from a public body to an agent of the Crown, to align with the classification of the Canada Revenue Agency. This change in classification means section 207.31(1) of the *Income Tax Act* which requires approval from the Minister of Environment and Climate Change Canada to dispose of lands, does not apply to the Trust Conservancy. Consequently, restrictions formerly in place on lands received by the Trust Conservancy under Environment and Climate Change Canada’s Ecological Gift Program are no longer applicable. To reflect the new nature of these lands, a transfer of \$3,809,931 from the Endowment Fund to the Capital Fund has been made, reflecting the value of lands historically received under the Ecological Gift Program.

In the prior year, there was an interfund transfer of \$12,000 from the Opportunity Fund to the Restricted Fund representing cash contributions associated with the acquisition of the Sandy Beach Nature Reserve on Keats Island.

THE ISLANDS TRUST CONSERVANCY

Notes to Financial Statements

Year ended March 31, 2022

7. Related party:

The Trust is related to the Trust Conservancy through the composition of the Trust Conservancy's Board. The Trust Conservancy's Board is comprised of three members from the Trust's Council and up to three members appointed by the Minister of Municipal Affairs.

The Trust Conservancy'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:

	2022	2021
Operations and property management	\$ 876,595	\$ 701,124
Board	8,503	5,378
Administration	248,673	232,547
	<u>\$ 1,133,771</u>	<u>\$ 939,049</u>

At March 31, 2022, amounts owing to Islands Trust were \$88,174 (2021 - \$81,598).

8. Financial risks and concentration of risk:

The Trust Conservancy's financial instruments consist of cash, short-term investments, investments, federal grants receivable and amounts due to Islands Trust. It is management's opinion that the Trust Conservancy is not exposed to significant interest, currency or credit risk arising from these financial instruments. The maximum exposure to credit risk at March 31, 2022 is the carrying value of cash, short-term investments and investments and federal grants receivable. The Trust Conservancy deals with creditworthy counterparties to mitigate credit risk. The Trust Conservancy manages its liquidity risk by monitoring its operating requirements. Interest rate risk is not significant due to the short term nature of investments held. There have been no significant changes to risk exposure in the years presented.

9. Subsequent event:

Subsequent to March 31, 2022, the transfer of Link Island, a 21.45 hectare island located in the Gabriola Island Local Trust Area, from Elizabeth W. Swift to the Trust Conservancy was completed. Subsequent to March 31, 2022, the Trust Conservancy received \$36,708 from the Estate of Elizabeth W. Swift for the purposes of removing the small cabin and infrastructure on the south end of the Island in future years. The \$3,730,000 assessed value of the donated land is not reflected in the assets or fund balances as at March 31, 2022, nor are the funds received for building removal. The value of these donated assets will be recorded in the financial statements of the year ending March 31, 2023.

THE ISLANDS TRUST CONSERVANCY

Statement of Financial Position

Schedule 1

March 31, 2021

	Opportunity Fund	Restricted Fund	Capital Fund	Endowment Fund	2021 Total
Assets:					
Current assets:					
Cash	\$ 15,754	\$ 348,420	\$ -	\$ -	\$ 364,174
Short-term investments (note 2)	-	189,225	-	88,000	277,225
Federal grants receivable	-	53,500	-	-	53,500
	15,754	591,145	-	88,000	694,899
Investments	-	-	-	-	-
Land (notes 3 and 5)	-	-	10,327,169	6,886,532	17,213,701
	\$ 15,754	\$ 591,145	\$ 10,327,169	\$ 6,974,532	\$ 17,908,600
Liabilities:					
Current liabilities:					
Due to Islands Trust	\$ -	\$ 81,598	\$ -	\$ -	\$ 81,598
Fund Balances:					
Unrestricted	15,754	-	-	-	15,754
Investment in land (note 3)	-	-	10,327,169	-	10,327,169
Internally restricted (note 4)	-	35,632	-	-	35,632
Externally restricted (note 4)	-	473,915	-	-	473,915
Restricted for endowment purposes (note 5)	-	-	-	6,974,532	6,974,532
	15,754	509,547	10,327,169	6,974,532	17,827,002
	\$ 15,754	\$ 591,145	\$ 10,327,169	\$ 6,974,532	\$ 17,908,600

THE ISLANDS TRUST CONSERVANCY

Statement of Operations

Schedule 2

Year ended March 31, 2021

	Opportunity Fund	Restricted Fund	Capital Fund	Endowment Fund	2021 Total
Revenue:					
Donations:					
Cash	\$ 15,938	\$ 1,025	\$ -	\$ -	\$ 16,963
Land	-	-	2,703,000	320,000	3,023,000
Grants	-	207,144	-	-	207,144
Rental income	-	10,455	-	-	10,455
Investment income	110	28,870	-	-	28,980
	16,048	247,494	2,703,000	320,000	3,286,542
Expenses:					
Repairs and maintenance - Alton property	-	9,108	-	-	9,108
Bank charges	31	79	-	-	110
Donations to conservancy groups	9,994	-	-	-	9,994
Species at Risk	-	187,000	-	-	187,000
	10,025	196,187	-	-	206,212
Excess of revenue over expenses	\$ 6,023	\$ 51,307	\$ 2,703,000	\$ 320,000	\$ 3,080,330

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