Islands Trust Conservancy Board
Special Meeting Agenda

Date: Tuesday, August 29, 2023

Time: 1:00 pm

Location: Electronic Zoom Meeting

				Pages
1.	CALL TO ORDER			
	1.1	Introductions		
2.	ELECTIONS			
	2.1	Election of Vice-Chair		
3.	APPROVAL OF AGENDA			
4.	RISE AND REPORT - None			
5.	MINUTES/COORDINATION			
	5.1	Minutes of Meetings/Resolutions without Meetings		
		5.1.1	Approval of the July 18, 2023 Regular Meeting Minutes	2 - 7
		5.1.2	Approval of the July 18, 2023 ITC-EC Liaison Minutes	8 - 12
6.	BUSINESS			
	6.1	Items for Approval		
		6.1.1	2022/23 Audited Financial Statements – Request for Decision	13 - 60
	6.2	Items for Discussion/Direction - None		
	6.3	Correspondence - None		
	6.4	Updates for Information - None		
7.	PUBLIC COMMENTS AND DELGATIONS			
8.	NEW BUSINESS			
9.	NEXT MEETING - October 3, 2023			
10.	ADJOURNMENT			

Islands Trust Conservancy Board

Minutes of the Regular Meeting

Date:	Tuesday, July 18, 2023
Time:	10:00 a.m.
Location:	Electronic Zoom Meeting Islands Trust - Victoria 200 - 1627 Fort Street, Victoria, BC
Board Members Present	Linda Adams, Chair Risa Smith, Vice Chair Susan Yates, Board Member Tobi Elliott, Board Member Lisa Gauvreau, Board Member
Regrets	Ken Thomas, Board Member
Staff Present	Kate Emmings, Islands Trust Conservancy Manager Clare Frater, Director, Trust Area Services, joined at 10:50 a.m. Carla Funk, Strategic Fund Development, left at 11:15 a.m. Corlynn Strachan, Administrative Assistant Eve Ruth, Conservation & GIS Technician Co-op, left at 10:45 a.m. Kathryn Martell, Ecosystem Protection Specialist Micaela Yawney, Communications Specialist Wendy Tyrrell, Species at Risk Program Coordinator
Public Present	Four members of the public were present as attendees.

1. CALL TO ORDER

Chair Adams called the meeting to order at 10:01 a.m. and recognized that we were gathering in various locations in the islands and in the territory of the Coast Salish peoples.

1.1 Introductions

The ITC Board welcomed Lisa Gauvreau to the ITC Board as its newest member and representative from Trust Council and there was a round of introductions.

2. APPROVAL OF AGENDA

Manager Emmings advised that due to the notice from Chair Adams of her intention to resign as Chair at the end of this meeting, staff became aware that there are legal documents that require signature of the Board Chair prior to the end of the month, and suggested addition of item 5.1.2 Delegation of Document Signatures to enable Chair Adams to sign behalf of the Board.

The following addition to the agenda was presented for consideration:

- 5.1.2 Delegation of Document Signatures

By general consent, the agenda was approved as amended.

3. RISE AND REPORT

None.

4. MINUTES/COORDINATION

4.1 Approval of the May 30, 2023 Regular Meeting Minutes

By general consent, the Islands Trust Conservancy meeting minutes of May 30, 2023 were adopted.

4.2 Follow-up Action List

Manager Emmings advised the Ruby Alton Management Plan approval item was deferred to the October 3, 2023 meeting, due to staff vacation and the short duration of the board meeting. Manager Emmings also noted that the S'ul-hween X'pey/Elder Cedar Nature Reserve item is likely to come to the Board at the October 3, 2023 meeting.

Discussion ensued on public feedback received by Trustees Elliott and Yates regarding tree removal on Elder Cedar Nature Reserve, loss of public trust, working on communication messaging for Board members, developing policy regarding danger tree removal, and moving forward.

Manager Emmings requested Trustees forward any public feedback and concerned citizens to staff, so the Conservancy can manage responses with current information.

5. BUSINESS

5.1 Items for Approval

5.1.1 <u>Updates to the 2023 ITC Board Meeting Schedule - Request for Decision</u>

Manager Emmings advised that due to the late audit this year, staff are requesting a special meeting of the Board in August to approve the audit prior to the next meeting scheduled for October 3 2023. Staff also recommend that since there are new Board members, the ITC Board meet in person at the October meeting, to get to know one another.

ITC-2023-023
It was MOVED and SECONDED,
that the Islands Trust Conservancy Board direct staff to schedule a Special Meeting of the Islands Trust Conservancy Board for August 29, 2023 as an electronic meeting with the Victoria office boardroom as the public meeting location.

<u>CARRIED</u>

ITC-2023-024
It was MOVED and SECONDED,

that the Islands Trust Conservancy Board direct staff to schedule the October 3, 2023 electronic meeting as an in person meeting with the Victoria office boardroom as the public meeting location.

CARRIED

5.1.2 Delegation of Document Signatures

Manager Emmings presented the request for decisions and noted this is a housekeeping item to allow Chair Adams to sign legal documents for covenant registration.

ITC-2023-025
It was MOVED and SECONDED,
that the Islands Trust Conservancy Board amend resolutions ITC-2022-017, ITC-2022-018 and ITC-2022-045 to replace the word "Chair" with "Chair or delegate".

CARRIED

5.2 Items for Discussion/Direction

5.2.1 Regional Conservation Plan (RCP) Progress Report – Briefing

Ecosystem Protection Specialist Martell briefed Board members on the status of the work plan for the Regional Conservation Plan.

Discussion ensued on:

- the importance of spatial data management for property management
- data gathering through contractors and ITC staff
- the ITC student co-op position and purpose to assist with managing data
- financial support for GIS, mapping, and staff capacity
- interlacing Islands Trust and Islands Trust Conservancy into the First Nations referral process
- bringing forward recommendations for possible extensions to the Regional Conservation Plan timeline to the next ITC Board meeting

Manager Emmings provided background on the RCP, noted the plan provides direction to what staff should be working on, and provides authority to move forward.

Board members requested definition on the wording "incomplete blocked" on the progress report. Ecosystem Protection Specialist Martell advised it means – "something external" to the Conservancy is limiting progress. Chair Adams suggested better phrasing.

5.2.2 Islands Trust Conservancy Board/Executive Committee Liaison Meeting Agenda

Board members reviewed the updated agenda and Board Member Smith noted the topic of Climate Change adaptation and how to incorporate this into our decision is not on the agenda.

Manager Emmings advised items could be added at the beginning of the meeting.

5.3 Correspondence

None.

5.4 Updates for Information

5.4.1 Public Acquisitions Report

Received for information.

5.4.2 Public Covenants Report

Ecosystems Protection Specialist Martell advised the Koontz and Larmour NAPTEP covenants were sent to First Nations for referral. Received for information.

5.4.3 Budget Report

Manager Emmings advised the year is well under way and the Western Screech Owl project expenditure are roughly half expended.

Board members discussed new Link Island Removal Fund item. Manager Emmings advised this is a long term fund to remove the cabin at the end of family usage as agreed upon by the donor. Board members suggested other phrasing to indicate this is a "long term fund" and is intended for building removal.

Manager Emmings clarified that expenses for Property Management include monitoring, Species at Risk inventory, plans for restoration, work with conservancies on trail maintenance, signage, invasive species removal, and hardware/material costs.

6. PUBLIC COMMENTS AND DELGATIONS

None.

7. NEW BUSINESS

There was no new business.

8. NEXT MEETING

The next special ITC Board meeting is scheduled for August 29th at 1:00 pm through Zoom Webinar.

The next regular meeting will take place in the Victoria office boardroom on October 3, 2023 at 10:00 am.

9. ELECTIONS

Chair Adams announced her resignation as Chair since her term ends August 2023 and she wanted the new Chair to transition prior to the next meeting. Board members and staff thanked Chair Adams for her experience, humour, and work on the Board.

9.1 Election of Chair

Manager Emmings reviewed the election process and noted that, as per Islands Trust Conservancy (ITC) Policy 1.2 (Islands Trust Conservancy Board and Committee Elections), all ITC members are eligible to be nominated and run for the positions of Chair of the Islands Trust Conservancy Board.

Manager Emmings called for nominations from the floor for position of the Islands Trust Conservancy Board Chair. Trustee Yates nominated Board Member Smith, Trustee Elliott seconded the nomination, and Trustee Smith agreed.

Manager Emmings called for nominations a second and third time, hearing none, she declared Trustee Smith as Chair of the Islands Trust Conservancy Board by acclamation.

Manager Emmings advised that due to Vice Chair Smith's move from Vice-Chair to Chair, there was now a vacancy for Vice-Chair, and an election could occur now or be deferred to Aug 29th.

Manager Emmings called for nominations from the floor for Vice Chair. Trustee Elliott nominated Trustee Yates, Trustee Gauvreau seconded the nomination, and Trustee Yates declined noting she would prefer to wait for an election at the next meeting.

Manager Emmings called for nominations a second and third time, hearing none, she advised the election for Vice-Chair would be deferred to August 29th meeting.

10. CLOSED MEETING

10.1 Motion to Close the Meeting

ITC-2023-026
It was MOVED and SECONDED,
that the meeting be closed to the public in accordance with the Community Charter, Part 4 Division 3, section: 90 (1) (e) the acquisition, disposition or expropriation of land or improvements, if the board considers that disclosure could reasonably be expected to harm the interests of the Islands Trust Conservancy board; and, (g) litigation or potential litigation affecting the board; and that staff be invited to remain in the meeting.

CARRIED

11. ADJOURNMENT

By general consent, the meeting adjourned at 11:30 pm.

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Linda Adams, Chair

Certified Correct:

____

Corlynn Strachan, Administrative Assistant/Recorder

Islands Trust Conservancy Board
Executive Committee Liaison Meeting
Minutes of the Regular Meeting

Date:	Wednesday, July 18, 2023
Location:	1:00 p.m. Islands Trust Victoria Boardroom 200-1627 Fort Street, Victoria, BC
Board Members Present	Risa Smith, Chair Linda Adams, Board Member Lisa Gauvreau, Board Member Susan Yates, Trustee Tobi Elliott, Vice-Chair, Executive Committee and ITC Board Member
Regrets	Ken Thomas, Board Member
Executive Committee Members Present	Peter Luckham, Chair, Executive Committee David Maude, Vice-Chair, Executive Committee Timothy Peterson, Vice-Chair, Executive Committee
Staff Present	Clare Frater, Director, Trust Area Services Kate Emmings, ITC Manager Russ Hotsenpiller, Chief Administrative Officer Corlynn Strachan, Administrative Assistant/Recorder Carla Funk, a/Strategic Fundraising Specialist
Public Attendees	Three members of the public attended.

1. CALL TO ORDER

Chair Smith called the meeting to order at 1:03 p.m. and acknowledged the meeting was held on the territory of the Coast Salish peoples.

1.1 Introductions and context for annual meeting

Chair Smith welcomed guests and initiated introductions.

2. APPROVAL OF AGENDA

The following addition to the agenda were presented for consideration:

4.3.5 Climate Change adaptation

By **general consent** the agenda was approved as amended.

3. MINUTES/COORDINATION

3.1 July 13, 2022 ITC-EC Liaison Meeting Minutes (Adopted, for information only)

Received for information.

4. BUSINESS

4.1 Items for Information

4.1.1 <u>ITC 2022/23 Year in Review – Presentation</u>

Manager Emmings provided a PowerPoint presentation on the work of the Islands Trust Conservancy, including First Nations Reconciliation, the 2023-2026 Islands Trust Conservancy Plan, the Regional Conservation Plan, property management, Species at Risk Program, donor engagement, communications and challenges/opportunities for ITC into the future.

4.1.2 <u>2022/23 Executive Committee Updates</u>

CAO Hotsenpiller, Executive Committee Chair Luckham, and Trustee Elliott provided an overview of Executive Committee and Trust Council work and concerns.

Priorities and discussion included:

- Training and orientation for newly elected trustees
- Trustee interest in reviewing policies and bylaws
- Development of a sophisticated request to the province to augment funding (some feel that conservation could be a centrepiece of this)
- Reconciliation including engagement and a better referral process
- Revised policy statement (now that there is staff capacity the project will proceed)
- Housing affordability
- Water availability
- Climate Change Initiatives
- Governance review (Council has not decided on the role of conservation in the review)
- Establishing not just a Strategic Plan for Trust Council, but also goals for Trust Council, and noting that the ITC Regional Conservation Plan may provide direction on a potential format for Trust Council's Strategic Plan
- Opportunities for information sharing

4.2 Roundtable: Focus on Collaboration

Discussion ensued on:

- Corporate planning framework, and using the work plan from the Islands Trust Conservancy Regional Conservation Plan as a template to honour strategic goals.

- Collaboration between the Islands Trust and Islands Trust Conservancy to learn from each other, with potential for discussion through the Governance Committee.
- Using a "paradigm shift" for understanding the work of the Islands Trust and how Islands Trust deliver on its' mandate in a more meaningful way for First Nations and everyone.
- Using the progress report to analyze the work begin accomplished by Trust Council, including its work program.

4.3 Items for Discussion

4.3.1 ITC Board - Executive Committee Areas of Responsibility - Briefing

Manager Emmings presented the briefing which summarized the areas of responsibility under internal policy and Islands Trust Council Bylaw No. 86.

Discussion ensued on:

- Local trust committee engagement with the Conservancy in an effective manner
- Embracing First Nations relationship building in our work
- Staff capacity to share knowledge with planners
- Changes to regulations for the Professional Governance Act and the impact on the work of biologists
- Regional Planning Committee work on a housing toolkit including suitable land analysis process to identify lands suitable for increase in development, and layering of mapping with conservation information for planning metrics
- The need for mapping and technical expertise, and for a professional biologist

4.3.2 Trust Council Decisions Related to Conservation – Discussion

Discussion ensued on:

- Decisions made at the March Trust Council meeting regarding the Coastal Douglas-fir Biogeoclimatic Zone delegation without consultation with the Conservancy
- Consideration of how Trust Council deals with delegations as a whole and how to institute better practice
- Reviewing meeting procedures and policy
- Making informed decisions through consultation with First Nations, the Conservancy and partners
- Education for trustees regarding internal liaison with the Conservancy

Follow up items for trustees and ITC Board member consideration:

- Creating a mechanism to share in-house biological expertise

- Revision of the Memorandum of Agreement between ITC and Trust Council to consider conservation decisions
- Need for more education on what the Islands Trust Conservancy is and how we do conservation
- Role of governments in conservation and ability for Trust Council to participate in the conversation
- The importance of informed decision making and not making decisions without consideration. Use time to get advice and refer to others.

Manager Emmings noted that staff support would require further direction and provided suggestions including:

- Providing direction to staff through a resolution for priority items
- Trustees taking items under consideration and following up by requesting agenda items for the next meeting

It was noted that Islands Trust Conservancy or the Executive Committee could invite each other to attend their respective meetings to discuss items of mutual interest such as policy review, governance review, and conservation in decision-making.

4.3.3 Provincial Funding Request – Discussion

Discussion ensued on:

- Developing a strong business case and strategy, and appropriate timing for advancing the request
- The Governance Review
- Creating a working group or committee to move forward, with consideration for staff resources
- CAO Hotsenpiller noted meeting more frequently, instead of annually, would be more effective, and advised that the Executive Committee could present at a future ITC Board meeting to keep Board members informed and strategize on a way forward.

ITC-EC-2023-001
It was MOVED and SECONDED,
that the Islands Trust Conservancy Board direct staff to investigate the requirements to create a compelling story on conservation that would be fed into a Provincial funding request.

DEFEATED

4.3.4 First Nations Referral Process Review – Discussion

Discussion ensued on:

- The complexity of the referral process and holding a separate meeting with the new Senior Indigenous Relations Advisor to discuss current framework and direction.

- Holding a joint two hour meeting on the First Nations referrals process, as this is a priority issue that was on the joint agenda, but not covered due to time restraints.

4.3.5 FireSmart Advice to Landowners – Discussion

This item was deferred to a future meeting due to time constraints.

4.3.6 Biologist Support for Planning - Briefing

Manager Emmings provided background information from the July 13, 2022 ITC/EC Liaison Meeting to support a discussion about biologist support for Regional Planning Committee (RPC). Trustee Elliott noted that she may advance further discussion at Trust Council.

5. NEXT MEETING

To be determined in late 2023.

6. ADJOURNMENT

By General Consent, the meeting adjourned at 3:20 p.m.

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Risa Smith, Chair

Certified Correct:

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Corlynn Strachan, Administrative Assistant/Recorder

REQUEST FOR DECISION

To:	**ITC Board**	**For the Meeting of:**	August 29, 2023
From:	**Staff**	**Date Prepared:**	August 22, 2023

SUBJECT: March 31, 2023 Audited Financial Statements

RECOMMENDATION: That the Islands Trust Conservancy Board approve the Audited Financial Statements for the 2022/23 fiscal year, and refer the statements to Islands Trust Council for information.

1 **PURPOSE:** To review and approve the March 31, 2023 Audited Financial Statements for 2022/23 fiscal year.

2 **BACKGROUND:** Islands Trust Conservancy (ITC) undergoes an annual audit each year as required by legislation. The audited Financial Statements and Audit Findings Report are provided to the ITC Board for review and approval. There were no identified audit findings that require action for the 2022/23 fiscal year.

Note 1 (f) of the Financial Statements notes the importance of natural assets. The monetary value of natural assets from ITC lands is not quantified or shown in the financial statements.

New areas of interest included in the 2022/23 financial statements are highlighted in the financial statements and related audit findings report. Of particular note are the following:

- Effective April 1, 2022 ITC adopted the new accounting standard related to Asset Retirement Obligations as required by Public Sector Accounting Standards. This new standard requires the ITC to include an estimate for legal obligations associated with retiring owned and leased capital assets. For ITC, this includes the Rudy Alton house and the personal use structures on Link Island. Implementation of this new standard has resulted in the recognition of an Asset Retirement liability of $84,882 to address the estimated obligation for both assets. This amount have been expensed in the restricted fund, reducing the fund balance at year-end.

- In the year, restricted contributions of $45,049 were received for which no related restricted fund exists. In accordance with accounting standards for public sector not-for-profit entities, these contributions have been reported as deferred contributions in the Opportunity Fund, and will be recognized as revenue when they have been spent in line with their respective restrictions.

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

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 2022/23 Annual Report and provided to Trust Council in September as an information item.

FIRST NATIONS: None.

CLIMATE CHANGE: None.

OTHER: None.

4 **RELEVANT POLICY(S):** *Islands Trust Act*, Section 45

5 **ATTACHMENT(S):**

- Audited Financial Statements of the Islands Trust Conservancy Year Ended March 31, 2023
- Islands Trust Conservancy Audit Findings Report for the Year Ended March 31, 2023

RESPONSE OPTIONS

Recommendation: That the Islands Trust Conservancy Board approve the Audited Financial Statements for the 2022/23 fiscal year, and refer the statements to Islands Trust Council for information.

Alternative: None identified.

Prepared By: Julia Mobbs/Director, Administrative Services

Reviewed By: Clare Frater/ Director, Trust Area Services/August 22, 2023

Financial Statements of

THE ISLANDS TRUST CONSERVANCY

Year ended March 31, 2023

INDEPENDENT AUDITOR'S 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, 2023
- 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, the financial statements present fairly, in all material respects, the financial position of the Entity as at March 31, 2023, 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 Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's 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.

Auditor's 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 auditor's 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 auditor's 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 auditor's 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
____________________, 2023

THE ISLANDS TRUST CONSERVANCY

Statement of Financial Position

March 31, 2023, with comparative information for 2022

		Opportunity Fund		Restricted Fund		Capital Fund		Endowment Fund		2023 Total		2022 Total (Schedule 1)
Assets:												
Current assets:												
Cash	$	144,281	$	212,875	$	-	$	-	$	357,156	$	294,711
Short-term investments (note 2)		-		178,950		-		88,000		266,950		269,633
Grants receivable		-		23,850		-		-		23,850		31,950
		144,281		415,675		-		88,000		647,956		596,294
Investments (note 3)		-		172,249		-		-		172,249		167,750
Land (notes 5 and 7)		-		-		15,345,100		3,076,601		18,421,701		17,213,701
	$	144,281	$	587,924	$	15,345,100	$	3,164,601	$	19,241,906	$	17,977,745
Liabilities:												
Current liabilities:												
Deferred contributions	$	45,049	$	-	$	-	$	-	$	45,049	$	-
Grants payable		14,350		4,615		-		-		18,965		-
Due to Islands Trust		-		71,061		-		-		71,061		88,174
		59,399		75,676		-		-		135,075		88,174
Asset retirement obligations (note 4)		-		80,708		-		-		80,708		-
Fund Balances:												
Unrestricted		84,882		-		-		-		84,882		114,230
Investment in land (note 5)		-		-		15,345,100		-		15,345,100		14,137,100
Internally restricted (note 6)		-		31,562		-		-		31,562		32,043
Externally restricted (note 6)		-		399,978		-		-		399,978		441,597
Restricted for endowment purposes (note 7)		-		-		-		3,164,601		3,164,601		3,164,601
		84,882		431,540		15,345,100		3,164,601		19,026,123		17,889,571
Subsequent event (note 11)												
	$	144,281	$	587,924	$	15,345,100	$	3,164,601	$	19,241,906	$	17,977,745

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

Approved by the Islands Trust Conservancy Board:

____________________ Board member   ____________________ Board member

***DRAFT** - August 22, 2023*

THE ISLANDS TRUST CONSERVANCY

Statement of Operations

Year ended March 31, 2023, with comparative information for 2022

	Opportunity Fund	Restricted Fund	Capital Fund	Endowment Fund	2023 Total	2022 Total (Schedule 2)
Revenue:						
Donations:						
Cash	$ 61,258	$ 39,148	$ -	$ -	$ 100,406	$ 107,547
Land	-	-	1,208,000	-	1,208,000	-
Grants	-	245,529	-	-	245,529	280,704
Rental income	-	10,507	-	-	10,507	10,455
Investment income (loss)	5,895	4,310	-	-	10,205	(6,337)
	67,153	299,494	1,208,000	-	1,574,647	392,369
Expenses:						
Repairs and maintenance - Alton property	-	16,482	-	-	16,482	21,788
Property management	-	1,260	-	-	1,260	4,880
Asset retirement cost (note 4)	-	79,483	-	-	79,483	-
Accretion expense	-	1,226	-	-	1,226	-
Bank charges	115	28	-	-	143	132
Donations to conservancy groups	96,386	4,615	-	-	101,001	22,000
Species at Risk	-	238,500	-	-	238,500	242,500
Conservation Stimulus	-	-	-	-	-	38,500
	96,501	341,594	-	-	438,095	329,800
Excess (deficiency) of revenue over expenses	$ (29,348)	$ (42,100)	$ 1,208,000	$ -	$ 1,136,552	$ 62,569

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

***DRAFT** - August 22, 2023*

THE ISLANDS TRUST CONSERVANCY

Statement of Changes in Fund Balances

Year ended March 31, 2023, with comparative information for 2022

	Opportunity Fund	Restricted Fund	Capital Fund	Endowment Fund	Total
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 9)	-	-	3,809,931	(3,809,931)	-
Fund balances, March 31, 2022	114,230	473,640	14,137,100	3,164,601	17,889,571
Excess (deficiency) of revenue over expenses	(29,348)	(42,100)	1,208,000	-	1,136,552
Fund balances, March 31, 2023	$ 84,882	$ 431,540	$ 15,345,100	$ 3,164,601	$ 19,026,123

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

THE ISLANDS TRUST CONSERVANCY

Statement of Cash Flows

Year ended March 31, 2023, with comparative information for 2022

	2023	2022
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	$ 1,136,552	$ 62,569
Item not involving cash:		
Donation of land	(1,208,000)	-
Accretion	1,226	-
Changes in non-cash operating working capital:		
Grants payable	18,965	-
Grants receivable	8,100	21,550
Due to Islands Trust	(17,113)	6,576
Deferred contributions	45,049	-
	(15,221)	90,695
Capital activities:		
Cash received for settlement of asset retirement obligation	79,482	-
Investing activities:		
Decrease in short-term investments	2,683	7,592
Decrease in long-term investments	162,501	-
Purchase of investments	(167,000)	(167,750)
	(1,816)	(160,158)
Increase (decrease) in cash	62,445	(69,463)
Cash, beginning of year	294,711	364,174
Cash, end of year	$ 357,156	$ 294,711

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

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 short-term investments at fair value as they are managed and evaluated on a fair value basis. Investments in guaranteed investment certificates are recorded at amortized cost.

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.

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. Short-term 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. Restricted contributions for which there is no restricted fund are recognized as revenue of the Opportunity Fund in the period in which related expenses are incurred.

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.

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) Asset retirement obligations:

An asset retirement obligation is recognized when, as at the financial reporting date, all of the following criteria are met:

(*i*) There is a legal obligation to incur retirement costs in relation to a tangible capital asset;

(*ii*) The past transaction or event giving rise to the liability has occurred;

(*iii*) It is expected that future economic benefits will be given up; and

(*iv*) A reasonable estimate of the amount can be made.

The liability for the removal of asbestos and other hazardous materials in the Ruby Alton house owned by the Trust Conservancy has been recognized based on estimated expenses on remediation or demolition of the structure. The liability for costs to remove rustic structures on Link Island has been recognized based on contributed funds received for the purposes of future removal of the structures.

1. Significant accounting policies (continued):

(g) 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.

(h) 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 and asset retirement obligations. Actual results could differ from those estimates.

(i) Change in accounting policy:

On April 1, 2022 the Trust Conservancy adopted Canadian public sector accounting standard PS 3280 *Asset Retirement Obligations*. The new accounting standard addresses the reporting of legal obligations associated with the retirement of certain tangible capital assets, such as asbestos removal in retired buildings by public sector entities. The standard was adopted on a prospective basis at the date of adoption resulting in no changes to accumulated surplus or annual surplus for comparative years presented.

On April 1, 2022 the Trust Conservancy recognized an asset retirement obligation related to a building containing asbestos and other hazardous materials located on the Ruby Alton Nature Reserve. The impact of this recognition and related accretion expense is reflected in the financial statements for the year ending March 31, 2023, along with other obligations arising the reporting year.

Under the prospective method, the assumptions used on initial recognition of these asset retirement obligations are those as of the date of adoption of the standard. Assumptions used in the subsequent calculations are revised yearly.

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.

3. Investments:

Investments consist of guaranteed investment certificate that matures on November 2, 2023. It has an interest rate of 4.95%.

4. Asset retirement obligations:

The Trust Conservancy owns one building located on the Ruby Alton Nature Reserve that is known to contain asbestos and other hazardous materials, which represents a health hazard upon demolition or remediation of the building and there is a legal obligation to remove it. Following the adoption of *PS 3280 Asset Retirement Obligations*, the Trust Conservancy recognized an obligation relating to the removal and post-removal care of the hazardous materials in this building as estimated at April 1, 2022. Estimated costs have been based the calculated current value of costs associated to address the future obligation.

During the 2023 year, the Trust Conservancy received a contributed asset, Link Island Nature Reserve, which contains a rustic cabin structure that will require future removal as a result of an agreement with the donor family. This required removal represents an asset retirement obligation under PS 3280. Estimated costs have been based on the value of funds received from the donor to remove the structures.

The transition and recognition of asset retirement obligations resulted in newly recognized liabilities as follows:

	Acquisition year	2023
Asset		
Ruby Alton house	2002	$ 44,000
Link Island structures	2023	36,708
		$ 80,708

5. Land:

	Acquisition year	2023	2022
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	2022	2,703,000	2,703,000
Link Island Nature Reserve, Link Island	2023	1,208,000	-
		11,535,169	10,327,169
Properties acquired under the Federal Government Ecological Gifts Program:			
Mt. Trematon Nature Reserve, Lasqueti Island	2006	320,000	320,000
David Otter Nature Reserve, Bowen Island	2007	620,000	620,000
John Osland Nature Reserve, Lasqueti Island	2012	890,000	890,000
Valens Brook Nature Reserve Lot A, Denman Island	2013	280,000	280,000
Burren's Acres Nature Reserve, Gabriola Island	2014	210,000	210,000
Moore Hill Nature Reserve, Thetis Island	2017	780,000	780,000
Valens Brook Nature Reserve Lot 1, Denman Island	2019	85,000	85,000
Salish View Nature Reserve, Lasqueti Island	2020	304,931	304,931
Lisa Baile Nature Reserve, North Pender Island	2022	320,000	320,000
		3,809,931	3,809,931
		$ 15,345,100	$ 14,137,100

The Conservancy has a 99-year lease with BC Parks Foundation to manage Lands owned by the Foundation as a Nature Reserve.

6. Restricted Fund balances:

	2023	2022
Internally restricted:		
McFadden Creek management fund	$ 20,626	$ 21,393
Property Management fund	10,936	10,650
	31,562	32,043
Externally restricted:		
Alton Nature Reserve - maintenance fund	111,384	156,758
Morrison Fund	10,467	14,809
Covenant Defense Fund	118,894	115,790
Lasqueti Acquisition Fund	30,465	27,541
Gambier Acquisition Fund	127,433	125,398
Thetis Island Acquisition Fund	1,335	-
Western Screech Owl Fund	-	1,301
Link Island Removal Fund	-	-
Hornby Island Fund	-	-
	399,978	441,597
	$ 431,540	$ 473,640

7. Restricted for endowment purposes:

	Acquisition year	2023	2022
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
		3,076,601	3,076,601
		$ 3,164,601	$ 3,164,601

7. Restricted for endowment purposes (continued):

Investment gains (losses) on endowment funds for the year of ($2,683) (2022 - ($6,587)) 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.

8. Interfund transfer:

During the year, there were no interfund transfers. In the prior year, there was an interfund transfer of $3,809,931 from the Endowment Fund to the Capital Fund, reflecting the value of lands historically received under the Ecological Gift Program no longer restricted for endowment purposes.

9. 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:

	2023	2022
Operations and property management	$ 884,981	$ 876,595
Board	10,725	8,503
Administration	279,181	248,673
	$ 1,174,887	$ 1,133,771

At March 31, 2023, amounts owing to Islands Trust were $71,061 (2022 - $88,174).

10. Financial risks and concentration of risk:

The Trust Conservancy's financial instruments consist of cash, short-term investments, investments, grants receivable, grants payable 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, 2023 is the carrying value of cash, short-term investments and investments and 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.

11. Subsequent event:

Subsequent to March 31, 2023 the transfer of Larmour Nature Reserve, a 3.36 hectare land parcel located in the Salt Spring Island Local Trust Area, from Jonathan Penn to the Trust Conservancy was completed. The approximate $374,015 assessed value of the donated land is not reflected in the assets or fund balances as at March 31, 2023. The value of these donated assets will be recorded in the financial statements of the year ending March 31, 2024.

THE ISLANDS TRUST CONSERVANCY

Statement of Financial Position

Schedule 1

March 31, 2022

	Opportunity Fund	Restricted Fund	Capital Fund	Endowment Fund	2022 Total
Assets:					
Current assets:					
Cash	$ 114,230	$ 180,481	$ -	$ -	$ 294,711
Short-term investments	-	181,633	-	88,000	269,633
Grants receivable	-	31,950	-	-	31,950
	114,230	394,064		88,000	596,294
Investments	-	167,750	-	-	167,750
Land	-	-	14,137,100	3,076,601	17,213,701
	$ 114,230	$ 561,814	$ 14,137,100	$ 3,164,601	$ 17,977,745
Liabilities:					
Current liabilities:					
Due to Islands Trust	$ -	$ 88,174	$ -	$ -	$ 88,174
Fund Balances:					
Unrestricted	114,230	-	-	-	114,230
Investment in land	-	-	14,137,100	-	14,137,100
Internally restricted	-	32,043	-	-	32,043
Externally restricted	-	441,597	-	-	441,597
Restricted for endowment purposes	-	-	-	3,164,601	3,164,601
	114,230	473,640	14,137,100	3,164,601	17,889,571
	$ 114,230	$ 561,814	$ 14,137,100	$ 3,164,601	$ 17,977,745

THE ISLANDS TRUST CONSERVANCY

Statement of Operations

Schedule 2

Year ended March 31, 2022

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

KPMG

The Islands Trust Conservancy

Audit Findings Report
year ended March 31, 2023

KPMG LLP

kpmg.ca/audit

KPMG contacts

Key contacts in connection with this engagement

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4 **Audit highlights**

5 **Status of the audit**

6 **Audit risks and results**

10 **Misstatements**

11 **Control deficiencies and improvement observations**

12 **Additional matters**

13 **Appendices**

The purpose of this report is to assist you, as a member of the Boar of Trustees, in your review of the results of our audit of the financial statements as at and for the period ended March 31, 2023. This report builds on the Audit Plan we provided on February 14, 2023. This report is intended solely for the information and use of Management and the Board of Trustees and should not be used for any other purpose or any other party. KPMG shall have no responsibility or liability for loss or damages or claims, if any, to or by any third party as this 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.

Digital use information

This Audit Findings Report is also available as a "hyper-linked" PDF document.

If you are reading in electronic form (e.g. In "Adobe Reader" or "Board Books"), clicking on the home symbol on the top right corner will bring you back to this slide.

Click on any item in the table of contents to navigate to that section.

Audit highlights

Purpose of this report

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, 2023.

Status of the audit

We have completed the audit of the financial statements, with the exception of certain remaining outstanding procedures, which are highlighted on page 5 of this report.

Significant changes to our audit plan

There were no significant changes to our audit plan which was originally communicated to you in the audit planning report.

Audit risks and results

Findings related to identified risks are discussed on page 6.

Uncorrected audit misstatements

There were no uncorrected audit differences identified.

Corrected audit misstatements

There were no corrected audit misstatements identified.

Significant accounting policies and practices

One new accounting policy was adopted during the year. Findings related to significant accounting policies and practices are discussed on page 11.

Control deficiencies and improvement observations

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

Independence

As required by professional standards, we have considered all relationships between KPMG and the Conservancy that may have a bearing on independence. We confirm that 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 other standards or applicable legislation or regulation from April 1, 2022 up until the date of this report.

Status of the audit

As of August 23, 2023, 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 members
- Obtaining evidence of Board acceptance of the financial statements
- Obtaining a signed management representation letter
- Completing subsequent event review procedures up to the date of the Board of Trustees' approval of the financial statements.

We will update the Board of Trustees, 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 auditor's report, a draft of which is included in the draft financial statements, will be dated upon the completion of any remaining procedures.

Significant risks and results

We highlight our significant findings in respect of significant risks:

Fraud risk from management override of controls

This is a presumed fraud risk. Management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Although the level of risk of management override of controls will vary from entity to entity, the risk nevertheless is present in all entities. We have not identified any specific additional risks of management override relating to this audit.

Our response

Our procedures included:

- testing of journal entries and other adjustments
- performing a retrospective review of estimates
- evaluating the business rationale of significant unusual transactions.

Significant findings

We noted no issues as a result of our testing.

Audit focus areas

We highlight findings in respect of other areas of focus:

Asset retirement obligations

- PS3280 *Asset Retirement Obligations* is effective for years beginning on or after April 1, 2022.
- An asset retirement obligation is a legal obligation associated with the retirement of a tangible capital asset.
- The asset retirement obligation is recognized as a liability with an increase to the carrying amount of the related tangible capital asset in the same amount as the liability.
- Management assessed the impact of the new standard and considered its applicability considering the types of assets and agreements in place. The Trust owns limited tangible capital assets, however, does manage properties including the Ruby Alton House and donated structure on Link Island.
- Management adopted the standard on prospective basis resulting in recognition of an expense and liability of $80,708 in fiscal 2023. Of this amount, approximately $44,000 relates to Ruby Alton House and $36,806 relates to Link Island.
- New accounting policies and disclosures have been added to address the adoption of the new standard.

Our procedures

We inquired with management as to the applicability of this new standard to the Entity and management's evaluation of the impact.

We reviewed management process and procedures to determine its exposure to legal obligations on asset retirement.

We reviewed contractual requirements associated with the Ruby Alton House and Link Island. We assessed the inputs to management's estimates and verified the mathematical accuracy of the obligation.

Significant findings

We noted no issues as a result of our testing and concur with management's estimate, recognition and disclosure of asset retirement obligations.

We provided recommendations related to financial statement disclosure for the adoption of this new standard.

Audit focus areas

We highlight findings in respect of **non-significant risks**:

Donation of land

Our procedures

- During fiscal 2023, the Conservancy received the donation of land referred to as Link Island. The fair value of the property was appraised with a valuation date of March 2022 at $1.208M. The Conservancy recognized land and revenue in the Capital Fund of $1.208M. The donation also included a contribution to be held as a Removal Fund, to fund the costs of removing structures upon termination of the Right of Use Agreement for continued access to the personal use structure.
- We performed the following procedures:
  - We obtained and inspected the donation and related agreements
  - We inspected the appraisal report noting the fair value of the land
  - We reviewed the accounting treatment and presentation of the transaction in the financial statements

Significant findings

No issues were noted in the procedures performed.

Audit focus areas (continued)

We highlight findings in other areas of focus as follows:

Other Account Balances and Transactions

Our response and significant findings

Revenues

- We substantively tested revenues received throughout the year by agreeing grant revenues and donations to supporting documents and receipt of funds.
- We performed trend analysis over revenues to determine if variances are reasonable and consistent with activity for the year.

Operating expenses and accounts payable

- We performed trend analysis over expenses to determine if variances are reasonable and consistent with activity for the year.
- We tested subsequent payments to determine if expenses are captured in the appropriate year.

Grants

- We verified grant payments made by obtaining grant payment correspondence, agreeing to payment of funds and Board approvals in Board meeting minutes.

Cash, investments and loans

- We confirmed cash and investment balances with third parties.
- We developed an expectation over investment income earned and compared to actual.

Financial statement presentation

- We assessed the presentation of transactions in the appropriate fund (Opportunity, Restricted, Capital and Endowment) and disclosure of transactions in the notes to the financial statements.

Significant findings

We noted no issues as a result of our testing.

Adjustments and Differences

Adjustments and differences identified during the audit have been categorized as "Corrected adjustments" or "Uncorrected differences". These include disclosure adjustments and differences.

Uncorrected Differences

We did not identify differences that remain uncorrected

Corrected Adjustments

We did not identify any corrected adjustments

Control deficiencies and improvement observations

Consideration of internal control over financial reporting (ICFR)

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.

A deficiency in internal control over financial reporting

A deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed, or when the person performing the control does not possess the necessary authority or competence to perform the control effectively.

Significant deficiencies in internal control over financial reporting

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.

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

Significant accounting policies and practices

Significant accounting policies

- There were no initial selections of or changes to significant accounting polices and practices with the exception of the adoption of PS 3280, *Asset Retirement Obligations* as discussed on page 8.
- There were no significant accounting policies in controversial or emerging areas.
- There were no issues noted with the timing of the Entity'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 qualitative aspects of 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.

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.

Appendices

1 Other required communications

2 Management representation letter

3 Changes in accounting standards

4 Environmental, social and governance (ESG)

5 Audit and assurance insights

6 KPMG's Truth and Reconciliation Plan

Appendix 1: Other required communications

Auditor's report	Engagement letter
Refer to the draft report attached to the financial statements.	A copy of the engagement letter and any subsequent amendments has been provided to management.

Reports to the Board of Trustees	Management representation letter
At the completion of the audit, we will provide our findings report to the Board of Trustees.	A copy of the management representation letter is attached.

Appendix 2: Management representation letter

KPMG LLP
St. Andrew's Square II
800-730 View Street
Victoria, BC V8W 3Y7

[DATE OF APPROVAL]
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, 2023.

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 ("relevant information"), such as financial records, documentation and other matters, including:

      — the names of all related parties and information regarding all relationships and transactions with related parties;

      — 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.

Appendix 2: Management representation letter (continued)

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

Appendix 2: Management representation letter (continued)

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.

Appendix 2: Management representation letter (continued)

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 group 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.

Appendix 2: Management representation letter (continued)

Yours very truly,

ISLANDS TRUST Conservancy

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Mr. Russ Hotsenpiller, Chief Administrative Officer

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Ms. Julia Mobbs, Director of Administrative Services

Appendix 2: Management representation letter (continued)

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.

Information is obscured if it is communicated in a way that would have a similar effect for users of financial statements to omitting or misstating that information. The following are examples of circumstances that may result in material information being obscured:

a) information regarding a material item, transaction or other event is disclosed in the financial statements but the language used is vague or unclear;

b) information regarding a material item, transaction or other event is scattered throughout the financial statements;

c) dissimilar items, transactions or other events are inappropriately aggregated;

d) similar items, transactions or other events are inappropriately disaggregated; and

e) the understandability of the financial statements is reduced as a result of material information being hidden by immaterial information to the extent that a primary user is unable to determine what information is material.

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.

Appendix 3: Changes in accounting standards (continued)

Standard	Summary and implications
Revenue	• The new standard PS 3400 *Revenue* is effective for fiscal years ***beginning on or after April 1, 2023***. • The new standard establishes a single framework to categorize revenue to enhance the consistency of revenue recognition and its measurement. • The standard notes that in the case of revenue 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 revenue arises 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.
Purchased Intangibles	• The new Public Sector Guideline 8 *Purchased intangibles* is effective for fiscal years ***beginning on or after April 1, 2023*** with earlier adoption permitted. • The guideline allows public sector entities to recognize intangibles purchased through an exchange transaction. The definition of an asset, the general recognition criteria and GAAP hierarchy are used to account for purchased intangibles. • Narrow scope amendments were made to PS 1000 *Financial statement concepts* to remove the prohibition to recognize purchased intangibles and to PS 1201 *Financial statement presentation* to remove the requirement to disclose purchased intangibles not recognized. • The guideline can be applied retroactively or prospectively.

Appendix 3: Changes in accounting standards (continued)

Standard	Summary and implications
Public Private Partnerships ("P3")	• 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.
Government not-for-profit strategy	• The Public Sector Accounting Board has approved its government not-for-profit ("GNFP") strategy implementation plan. • The approved strategy option is to incorporate the PS 4200 series of standards with potential customizations into public sector accounting standards. This means reviewing the existing PS 4200 series of standards to determine if they should be retained and added to public sector accounting standards. Incorporating the updated or amended PS 4200 series standards in public sector accounting standards would make the guidance available to any public sector entity. Accounting and/or reporting customizations may be permitted if there are substantive and distinct accountabilities that warrant modification from public sector accounting standards.

Appendix 3: Changes in accounting standards (continued)

Standard	Summary and implications
Concepts Underlying Financial Performance	• The revised conceptual framework is effective for fiscal years ***beginning on or after April 1, 2026*** with earlier adoption permitted. • The framework provides the core concepts and objectives underlying Canadian public sector accounting standards. • The ten chapter conceptual framework defines and elaborates on the characteristics of public sector entities and their financial reporting objectives. Additional information is provided about financial statement objectives, qualitative characteristics and elements. General recognition and measurement criteria, and presentation concepts are introduced.

Financial Statement Presentation	• The proposed section PS 1202 *Financial statement presentation* will replace the current section PS 1201 *Financial statement presentation*. PS 1202 *Financial statement presentation* will apply to fiscal years ***beginning on or after April 1, 2026*** to coincide with the adoption of the revised conceptual framework. Early adoption will be permitted.
	• The proposed section includes the following:
	  • Relocation of the net debt indicator to its own statement called 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 total assets followed by total 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.
	• The Public Sector Accounting Board is currently deliberating on feedback received on exposure drafts related to the reporting model.

Appendix 4: Journey to the first IFRS Sustainability Disclosure Standards

Mar 2022
First two proposals released – general requirements (draft IFRS S1) and climate (draft IFRS S2)

Jul 2022
> 1,400 comment letters
First ISSB meeting

Sept 2022 – Feb 2023
Discussed focus areas and made key changes to proposals

H1 2023
Finalized drafting of the first two standards

Issuance of final standards: IFRS S1 and IFRS S2
June 26, 2023

Adoption in Canada
The CSSB[1] has been formed to support the adoption of international standards in Canada while considering supplemental requirements tailored to the Canadian market

ISSB next steps
Support entities in preparing to apply the standards
ISSB to decide future focus areas (e.g., biodiversity, integration in reporting, human capital, human rights)

1. Canadian Sustainability Standards Board
2. Task Force on Climate-related Financial Disclosures

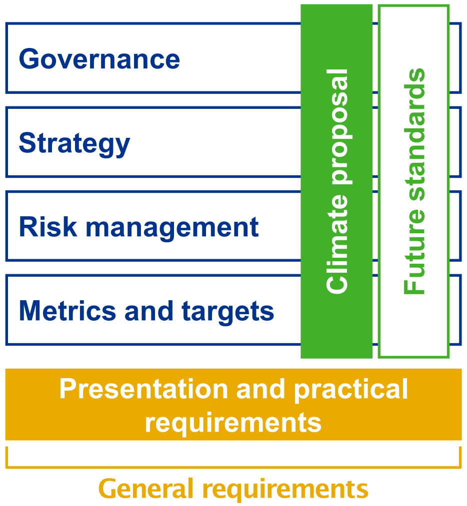
Summary of the recently released standards

The standards build on the four-pillar structure of the **TCFD**[2].

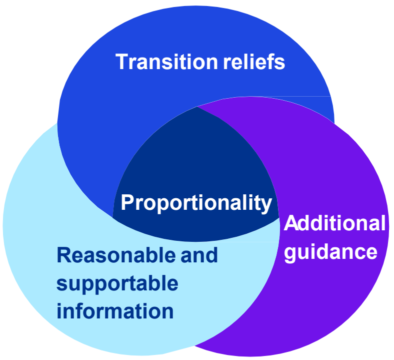
The **general requirements standard** **(IFRS S1)** defines the scope and objectives of reporting and provides core content, presentation and practical requirements.

It requires disclosure of material information on all sustainability-related risks and opportunities – not just on climate.

The **climate standard** **(IFRS S2)** replicates the core content requirements and supplements them with climate-specific reporting requirements.



Practicalities of reporting



Provide **temporary transition relief** – Refer to next slide

Provide **additional guidance** and references to existing protocols and frameworks to support application

Require entities to use **'reasonable and supportable'** information, taking into consideration their skills, capabilities and resources

Appendix 5: Audit and assurance insights

Our latest thinking on the issues that matter most to Audit Committees, board of directors and management.

KPMG Audit & Assurance Insights
Curated research and insights for audit committees and boards.

Board Leadership Centre
Leading insights to help board members maximize boardroom opportunities

Current Developments
Series of quarterly publications for Canadian businesses including Spotlight on IFRS, Canadian Securities & Auditing Matters and US Outlook reports.

Audit Committee Guide – Canadian Edition
A practical guide providing insight into current challenges and leading practices shaping audit committee effectiveness in Canada.

Accelerate 2023
The key issues driving the audit committee agenda in 2023.

Momentum
A quarterly newsletter with the latest thought-leadership from KPMG's subject matter leaders across Canada and valuable audit resources for clients.

KPMG Climate Change Financial Reporting Resource Centre
Our climate change resource centre provides insights to help you identify the potential financial statement impacts to your business.

IFRS Breaking News
A monthly Canadian newsletter that provides the latest insights on international financial reporting standards and IASB activities.

Appendix 7: KPMG's Truth & Reconciliation Action Plan

KPMG's comprehensive multi-year strategy involves all areas of our firm and commits to creating positive and sustainable economic and social benefits for Indigenous Peoples to advance reconciliation. The plan is closely aligned with the Truth and Reconciliation Commission of Canada's Call to Action No. 92 ("Business and Reconciliation") and will help us foster strong relationships with Indigenous communities and businesses.

In developing the plan, KPMG sought out a variety of voices and perspectives from internal and external groups – including KPMG's National Indigenous Peoples Network, Indigenous clients and communities, and Acosys, an Indigenous-owned, Indigenous-led consulting firm – and incorporated their feedback.

The plan dedicates significant resources and investments to create long-term, sustainable socioeconomic benefits for Indigenous Peoples, setting out measurable goals, objectives and actions under three pillars

Pillar 1 – Advancing an equitable and inclusive culture

Addressing bias and barriers to help advance an equitable and inclusive culture where Indigenous Peoples are supported and can thrive and achieve their professional goals.

Aligned to TRC Call to Action No. 92:
Ensure equitable access to jobs, training and education opportunities, and that Indigenous communities gain long-term sustainable benefits from economic development projects.

Pillar 2 – Building allyship

Building allyship with Indigenous Peoples by raising awareness about the truth of our shared history internally, with clients and in corporate Canada to inspire their action toward reconciliation.

Aligned to TRC Call to Action No. 92:
Provide education on Indigenous history and training in intercultural competency, conflict resolution, human rights and anti-racism.

Pillar 3 – Being a trusted and active contributor to Indigenous development and empowerment

Continuously engage and collaborate with Indigenous communities and organizations to positively contribute to sustainable socio-economic benefits for Indigenous Peoples.

Aligned to TRC Call to Action No. 92:
Ensure equitable access to jobs, training and education opportunities, and that Indigenous communities gain long-term sustainable benefits from economic development projects.

Commit to meaningful consultation and respectful relationships, and to obtaining the free, prior and informed consent of Indigenous Peoples before proceeding with those economic development projects.

Click here to learn more about KPMG's Truth & Reconciliation Action Plan kpmg.ca

KPMG member firms around the world have 265,000 professionals, in 143 countries.