



Islands Trust Conservancy Board Special Meeting Agenda

Date: Tuesday, June 2, 2026

Time: 1:00 pm

Location: Electronic Zoom Meeting

Pages

1. CALL TO ORDER

2. TERRITORIAL ACKNOWLEDGEMENT

3. APPROVAL OF AGENDA

3.1 Review of Agenda and Introduction of New Items

3.2 Approval of Agenda

4. BUSINESS ITEMS

4.1 Items for Approval

4.1.1 2027/28 ITC Budget Requests Overview - RFD

4.1.2 KPMG Auditors on Audit Findings - Presentation

Lenora Lee and Winnie Tam from KPMG presenting audit findings

4.1.3 ITC 2025/26 Audited Financial Statements - RFD

4.2 Items for Discussion/ Direction

None

4.3 Updates for Information

Budget report: April 1, 2026 to April 30, 2026

5. PUBLIC COMMENTS AND DELEGATIONS

6. NEW BUSINESS

7. NEXT MEETING

The next Islands Trust Conservancy Board meeting is scheduled for July 28, 2026 from 10.00am - 12.00pm followed

by the ITC-EC liaison meeting from 1.00pm – 3.00pm.

8. ADJOURNMENT



REQUEST FOR DECISION

To: Islands Trust
Conservancy Board

For the Meeting of: June 2, 2026

From: Staff

Date Prepared: May 27, 2026

SUBJECT: ITC 2027-28 Budget Request Overview

RECOMMENDATION:

THAT the Islands Trust Conservancy (ITC) Board request staff to prepare an Islands Trust Conservancy 2027-28 budget request for the July 28, 2026 meeting that provides for:

- increasing costs associated with protected areas management planning and operation, reflecting:
 - additional costs for new nature reserves and covenants
 - costs for the design, purchase and installation of updated signage for nature reserves
 - continuation of the Protected Areas Management Database development and implementation project
 - development of a new management plan template
- increasing costs associated with land securement
- increasing costs associated with conservation planning (Regional Conservation Plan update)
- increasing costs associated with communications
- continuation of the 2028-2032 Five-year Plan development project
- options for drawing from the Conservancy's Opportunity Fund and other ITC managed funds

1 PURPOSE: For the ITC Board to guide staff in the preparation of the 2027-28 budget submission and request staff to prepare a 2027-28 ITC budget for the Board at their July 28, 2026 meeting.

2 BACKGROUND: [ITC Policy 3.1.6 Annual Budget Submissions](#) requires that the ITC Manager prepare a proposed annual budget for the Board to approve. Staff are seeking direction from the Board about what should be the focus of the budget and if there are special initiatives to take into account. The following are provided for consideration:

1. It is expected that there will be 120 protected areas across twelve islands in 2027-28 compared with 115 in 2026-27 (staff estimate there will be two new nature reserves and three new NAPTEP covenants). When preparing the budget, staff will use an updated formula to calculate property management costs for new properties which will include activities previously not considered or underbudgeted.
2. The costs associated with the following are rising:
 - A. Compliance monitoring to assess covenant violations and issues of trespass and vandalism in nature reserves, and responding to address violations/concerns and implementing actions or move to enforcement options,

if required

- B. Ecological assessment and monitoring to inform strategic management and effective use of resources
 - habitat assessments and surveying for new species at risk populations
 - monitoring known species at risk populations
 - mapping and documenting invasive species populations
 - monitoring restoration projects and adapting future plans as required
 - identifying emerging threats

 - C. Safety monitoring to assess if trail infrastructure, signage or issues such as danger trees need addressing
 - assessment of built trails, boardwalks, and management of unauthorized trails, sign damage, wear or need for new signs
 - identification of hazards such as danger trees

 - D. Management activities that are proactively planned through management plans and that respond to monitoring observations
 - restoring wetlands, riparian corridors, Garry oak habitats and other ecosystems at risk in our region
 - stewardship activities such as invasive species removal, planting, enclosure fencing
 - installing and maintaining wildlife habitat structures for species at risk (owl boxes, snake covers, etc.)
 - infrastructure improvement activities such as improving public access (e.g. maintaining and/or replacing new infrastructure (trails, boardwalks, signs, benches, fencing, gates, etc.)
3. Staff recommend that funding be extended to continue two species at risk projects into 2027-28:
- A. Year five of the Western Screech-Owl surveying/monitoring project on Link Island
 - B. Year six of the Garry oak meadow enhancement project on Mt. Tuam (SSI)

Please note that staff will assess the [expansion of PST](#) to certain professional services to assess its potential impact on the Conservancy's budget, as well as increases such as the Public Service Agency travel rate increases and BCGEU annual wage increases.

3 IMPLICATIONS OF RECOMMENDATION:

ORGANIZATIONAL: This work will be accomplished within existing staff resources.

FINANCIAL: Staff anticipate an increase to the Islands Trust Conservancy budget for 2027-28. The primary budget drivers are associated with ongoing protected areas management operations and conservation planning. These increases do not reflect the addition of major new projects, but rather the realistic costs associated with the ongoing stewardship and management of approximately 120 protected areas, including five additional protected lands projected to be secured. Inflation over the past few years has seen significant increases in the cost of travel, including water taxis and accommodation on the islands.

POLICY: None.

IMPLEMENTATION/COMMUNICATIONS: ITC staff will prepare a budget request for consideration of the ITC Board at its July 28, 2026 meeting.

FIRST NATIONS: As the Islands Trust Conservancy increases engagement with Indigenous Governing Bodies throughout the Islands Trust Area through the Five-year Plan process, many operational activities are evolving to include engagement and relationship-building with Nations. Referrals continue to be submitted for new land securement proposals, management planning processes, and archaeological assessments associated with newly acquired nature reserves.

This work reflects the Conservancy’s ongoing commitment to improving relationships with First Nations and creating opportunities for collaboration, knowledge sharing, and more inclusive stewardship approaches on protected lands. Increased engagement may also help inform future management priorities, support the recognition of cultural and ecological values, and identify opportunities for co-management, restoration initiatives, cultural access, and stewardship activities of mutual interest. Ongoing engagement with Indigenous Governing Bodies is anticipated to remain an important component of Conservancy operations, land stewardship, and conservation planning activities.

CLIMATE CHANGE: Land protection and stewardship by the Islands Trust Conservancy, supported through budget allocations from Trust Council, contributes to long-term natural climate solutions and climate resilience. Protected and well-managed natural areas play an important role in carbon sequestration and storage, biodiversity conservation, water regulation, and ecosystem resilience in the face of climate change impacts.

Improving our understanding of the ecological functioning and condition of protected lands, and enhancing stewardship of key ecosystems such as wetlands, coastal Douglas-fir and Garry oak ecosystems, and Western redcedar forests, will help maintain and strengthen the ability of these ecosystems to adapt to and buffer the impacts of climate change. These efforts also support the long-term protection of ecological services that benefit both the environment and island communities.

OTHER: As staff further develop the ITC budget for 2027-28 if other areas for budget increases/decreases emerge staff will provide information to the Board for consideration at the July 28, 2026 meeting.

4 **RELEVANT POLICY(S):** [ITC Policy 3.1.6 Annual Budget Submissions](#)

5 **ATTACHMENT(S):**

1. 2027-28 Preliminary Draft ITC Budget

RESPONSE OPTIONS

THAT the Islands Trust Conservancy (ITC) Board request staff to prepare an Islands Trust Conservancy 2027-28 budget request for the July 28, 2026 meeting that provides for:

- increasing costs associated with protected areas management planning and operation, reflecting:
 - additional costs for new nature reserves and covenants
 - costs for the design, purchase and installation of updated signage for nature reserves
 - continuation of the Protected Areas Management Database development and implementation project
 - development of a new management plan template

- increasing costs associated with land securement
- increasing costs associated with conservation planning (Regional Conservation Plan update)
- increasing costs associated with communications
- continuation of the 2028-2032 Five-year Plan development project
- options for drawing from the Conservancy’s Opportunity Fund and other ITC managed funds

Alternative:

THAT the Islands Trust Conservancy Board request staff to prepare an Islands Trust Conservancy 2027-28 budget request, including the following budget additions and/or changes, for the July 28, 2026 meeting

1. *[insert items for budget request consideration]*

Prepared By: Wendy Tyrrell, Manager, Islands Trust Conservancy

Reviewed By: Clare Frater, Director, Trust Area Services / May 29, 2027

Financial Statements of

**THE ISLANDS TRUST
CONSERVANCY**

Year ended March 31, 2026

INDEPENDENT AUDITOR'S REPORT

To the Trustees of The Islands Trust Conservancy Board, the Trustees of Islands Trust and the Minister of Housing and 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, 2026
- 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, 2026, and its results of operations, its changes in fund balances and its 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

_____, 2026

THE ISLANDS TRUST CONSERVANCY

Statement of Financial Position

March 31, 2026, with comparative information for 2025

	Opportunity Fund	Restricted Fund	Capital Fund	Endowment Fund	2026 Total	2025 Total
(Schedule 1)						
Assets:						
Current assets:						
Cash	\$ 1,155,885	\$ 575,934	\$ -	\$ -	\$ 1,731,819	\$ 380,615
Short-term investments (note 2)	-	218,395	-	88,000	306,395	490,004
Grants receivable	-	50,500	-	-	50,500	22,000
	1,155,885	844,829	-	88,000	2,088,714	892,619
Land (notes 3 and 6)	-	-	16,066,100	3,076,601	19,142,701	19,142,701
	\$ 1,155,885	\$ 844,829	\$ 16,066,100	\$ 3,164,601	\$ 21,231,415	\$ 20,035,320
Liabilities:						
Current liabilities:						
Deferred contributions	\$ 28,138	\$ -	\$ -	\$ -	\$ 28,138	\$ 28,138
Grants payable	12,614	-	-	-	12,614	6,715
Security deposit	-	-	-	-	-	425
Due to Islands Trust (note 7)	1,890	77,124	-	-	79,014	87,179
	42,642	77,124	-	-	119,766	122,457
Asset retirement obligations (note 4)	-	85,924	-	-	85,924	84,424
	\$ 42,642	\$ 163,048	\$ -	\$ -	\$ 205,690	\$ 206,881
Fund Balances:						
Unrestricted	1,113,243	-	-	-	1,113,243	110,727
Investment in land (note 3)	-	-	16,066,100	-	16,066,100	16,066,100
Internally restricted (note 5)	-	223,413	-	-	223,413	30,493
Externally restricted (note 5)	-	458,368	-	-	458,368	456,518
Restricted for endowment purposes (note 6)	-	-	-	3,164,601	3,164,601	3,164,601
	1,113,243	681,781	16,066,100	3,164,601	21,025,725	19,828,439
	\$ 1,155,885	\$ 844,829	\$ 16,066,100	\$ 3,164,601	\$ 21,231,415	\$ 20,035,320

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

Approved by the Islands Trust Conservancy Board:

_____ Board member

_____ Board member

THE ISLANDS TRUST CONSERVANCY

Statement of Operations

Year ended March 31, 2026, with comparative information for 2025

	Opportunity Fund	Restricted Fund	Capital Fund	Endowment Fund	2026 Total	2025 Total
(Schedule 2)						
Revenue:						
Donations	\$1,001,845	189,516	-	-	\$1,191,361	\$ 16,155
Grants	-	220,000	-	-	220,000	220,000
Rental income	-	2,842	-	-	2,842	11,120
Investment income	22,671	28,713	-	-	51,384	48,936
	1,024,516	441,071	-	-	1,465,587	296,211
Expenses:						
Repairs and maintenance - Alton property	-	21,875	-	-	21,875	17,561
Property management	-	1,669	-	-	1,669	1,000
Accretion expense	-	1,500	-	-	1,500	1,570
Bank charges	-	1,257	-	-	1,257	589
Grants to external parties	22,000	-	-	-	22,000	14,715
Species at Risk	-	220,000	-	-	220,000	220,000
	22,000	246,301	-	-	268,301	255,435
Excess of revenue over expenses	\$1,002,516	\$ 194,770	\$ -	\$ -	\$ 1,197,286	\$ 40,776

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, 2026, with comparative information for 2025

	Opportunity Fund	Restricted Fund	Capital Fund	Endowment Fund	Total
Fund balances, March 31, 2024	\$ 103,374	\$ 453,588	\$ 16,066,100	\$ 3,164,601	\$ 19,787,663
Excess of revenue over expenses	7,353	33,423	-	-	40,776
Fund balances, March 31, 2025	110,727	487,011	16,066,100	3,164,601	19,828,439
Excess of revenue over expenses	1,002,516	194,770	-	-	1,197,286
Fund balances, March 31, 2026	\$ 1,113,243	\$ 681,781	\$ 16,066,100	\$ 3,164,601	\$ 21,025,725

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

THE ISLANDS TRUST CONSERVANCY

Statement of Cash Flows

Year ended March 31, 2026, with comparative information for 2025

	2026	2025
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 1,197,286	\$ 40,776
Item not involving cash:		
Accretion	1,500	1,570
Changes in non-cash operating working capital:		
Grants receivable	(28,500)	-
Grants payable	5,899	5,315
Security deposit	(425)	425
Due to Islands Trust	(8,165)	(13,703)
	<u>1,167,595</u>	<u>34,383</u>
Investing activities:		
Decrease (increase) in short-term investments	183,609	171,893
	<u>1,351,204</u>	<u>206,276</u>
Increase in cash	1,351,204	206,276
Cash, beginning of year	380,615	174,339
	<u>\$ 1,731,819</u>	<u>\$ 380,615</u>

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

THE ISLANDS TRUST CONSERVANCY

Notes to Financial Statements

Year ended March 31, 2026

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 Housing and 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.

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, 2026

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.

THE ISLANDS TRUST CONSERVANCY

Notes to Financial Statements

Year ended March 31, 2026

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.

THE ISLANDS TRUST CONSERVANCY

Notes to Financial Statements

Year ended March 31, 2026

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.

THE ISLANDS TRUST CONSERVANCY

Notes to Financial Statements

Year ended March 31, 2026

2. Short-term investments:

Short-term investments have a maturity date of less than one year consisting of guaranteed investment certificates, an endowment fund with the Victoria Foundation and Municipal Finance Authority of British Columbia (“MFA”) Short Term Bond and Money Market Funds.

3. Land:

	Acquisition year	2026	2025
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
Hoak-pus (Sandy Beach) Nature Reserve, Keats Island	2022	2,703,000	2,703,000
Link Island Nature Reserve, Link Island	2023	1,208,000	1,208,000
Lamour Nature Reserve, Salt Spring Island	2024	721,000	721,000
		12,256,169	12,256,169
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	2023	320,000	320,000
		3,809,931	3,809,931
		\$ 16,066,100	\$ 16,066,100

THE ISLANDS TRUST CONSERVANCY

Notes to Financial Statements

Year ended March 31, 2026

3. Land (continued):

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

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. Estimated costs have been based the calculated current value of costs associated to address the future obligation. The Trust used a general inflationary rate of 1.60% (2025 – 1.60%) based on estimated labor and material costs in calculating the provision.

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 Trust used a general inflationary rate of 2.00% (2025 – 2.25%) based on estimated labor and material costs in calculating the provision.

The asset retirement obligations is as follows:

	2026	2025
Opening balance	\$ 84,424	\$ 82,854
Accretion on provision	1,500	1,570
Closing balance	\$ 85,924	\$ 84,424

THE ISLANDS TRUST CONSERVANCY

Notes to Financial Statements

Year ended March 31, 2026

5. Restricted Fund balances:

	2026	2025
Internally restricted:		
McFadden Creek management fund	\$ 17,369	\$ 18,450
Property Management fund	206,044	12,043
	<u>223,413</u>	<u>30,493</u>
Externally restricted:		
Alton Nature Reserve - maintenance fund	127,715	135,577
Morrison Fund	11,251	11,096
Covenant Defense Fund	135,173	131,015
Lasqueti Acquisition Fund	36,550	35,319
Gambier Acquisition Fund	144,579	140,822
Thetis Island Acquisition Fund	1,513	1,467
Link Island Removal Fund	1,587	1,222
	<u>458,368</u>	<u>456,518</u>
	<u>\$ 681,781</u>	<u>\$ 487,011</u>

6. Restricted for endowment purposes:

	Acquisition year	2026	2025
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
		<u>3,076,601</u>	<u>3,076,601</u>
		<u>\$ 3,164,601</u>	<u>\$ 3,164,601</u>

Investment gains (losses) on endowment funds for the year of \$11,196 (2025 - \$13,512) 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.

THE ISLANDS TRUST CONSERVANCY

Notes to Financial Statements

Year ended March 31, 2026

6. Restricted for endowment purposes (continued):

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.

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 Housing and 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:

	2026	2025
Operations and property management	\$ 985,715	\$ 1,019,945
Board	10,713	9,876
Administration	313,139	327,615
	<u>\$ 1,309,567</u>	<u>\$ 1,357,436</u>

At March 31, 2026, amounts owing to Islands Trust were \$79,004 (2025 - \$87,179).

THE ISLANDS TRUST CONSERVANCY

Notes to Financial Statements

Year ended March 31, 2026

8. Financial risks and concentration of risk:

The Trust Conservancy's financial instruments consist of cash, short-term 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, 2026 is the carrying value of cash, short-term 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.

On April 4, 2025, the United States government imposed new tariffs on imports and exports from/to Canada. The Islands Trust Conservancy does not expect to experience operational disruption as a result of these tariffs as it does not rely on cross-border trade to provide its services. The tariffs have potential to impact the cost of purchased goods and services; this potential impact has been assessed as immaterial. The Islands Trust Conservancy continues to adopt practices that prioritize procurement from Canadian suppliers, further limiting the risk of impact to operations and the financial statements. These tariffs are still in place as of the date of these financial statements.

THE ISLANDS TRUST CONSERVANCY

Statement of Financial Position

Schedule 1

March 31, 2025

	Opportunity Fund	Restricted Fund	Capital Fund	Endowment Fund	2025 Total
Assets:					
Current assets:					
Cash	\$ 145,629	\$ 234,986	\$ -	\$ -	\$ 380,615
Short-term investments (note 2)	-	402,004	-	88,000	490,004
Grants receivable	-	22,000	-	-	22,000
	145,629	658,990	-	88,000	892,619
Investments (note 3)	-	-	-	-	-
Land (notes 5 and 7)	-	-	16,066,100	3,076,601	19,142,701
	\$ 145,629	\$ 658,990	\$ 16,066,100	\$ 3,164,601	\$ 20,035,320
Liabilities:					
Current liabilities:					
Deferred contributions	\$ 28,138	\$ -	\$ -	\$ -	\$ 28,138
Grants payable	6,715	-	-	-	6,715
Security deposits	-	425	-	-	425
Due to Islands Trust	49	87,130	-	-	87,179
	34,902	87,555	-	-	122,457
Asset retirement obligations (note 4)	-	84,424	-	-	84,424
Fund Balances:					
Unrestricted	110,727	-	-	-	110,727
Investment in land (note 5)	-	-	16,066,100	-	16,066,100
Internally restricted (note 6)	-	30,493	-	-	30,493
Externally restricted (note 6)	-	456,518	-	-	456,518
Restricted for endowment purposes (note 7)	-	-	-	3,164,601	3,164,601
	110,727	487,011	16,066,100	3,164,601	19,828,439
Subsequent event (note 11)					
	\$ 145,629	\$ 658,990	\$ 16,066,100	\$ 3,164,601	\$ 20,035,320

THE ISLANDS TRUST CONSERVANCY

Statement of Operations

Schedule 2

Year ended March 31, 2025

	Opportunity Fund	Restricted Fund	Capital Fund	Endowment Fund	2025 Total
Revenue:					
Donations:					
Cash	\$ 14,058	\$ 2,097	\$ -	\$ -	\$ 16,155
Land	-	-	-	-	-
Grants	-	220,000	-	-	220,000
Rental income	-	11,120	-	-	11,120
Investment income (loss)	8,010	40,926	-	-	48,936
	22,068	274,143	-	-	296,211
Expenses:					
Repairs and maintenance - Alton property	-	17,561	-	-	17,561
Property management	-	1,000	-	-	1,000
Asset retirement cost (note 4)	-	-	-	-	-
Accretion expense	-	1,570	-	-	1,570
Bank charges	-	589	-	-	589
Grants to external parties	14,715	-	-	-	14,715
Species at Risk	-	220,000	-	-	220,000
	14,715	240,720	-	-	255,435
Excess (deficiency) of revenue over expenses	\$ 7,353	\$ 33,423	\$ -	\$ -	\$ 40,776



The Islands Trust Conservancy

**Audit Findings Report
for the year ended March 31, 2026**

KPMG LLP

Prepared for the meeting on June 2, 2026

kpmg.ca/audit

KPMG contacts

Key contacts in connection with this engagement

Lenora Lee

Lead Audit Engagement Partner

250-480-3588

lenoramlee@kpmg.ca

Winnie Tam

Senior Audit Manager

250-480-3669

winnietam@kpmg.ca



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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.

4	Highlights	5	Status	6	Materiality	8	Risks and results
12	Audit misstatements	13	Control deficiencies	14	Policies and practices	15	Appendices

The purpose of this report is to assist you, as a member of the Board of Trustees, in your review of the results of our audit of the financial statements as at and for the period ended March 31, 2026. This report is intended solely for the information and use of Management and the Board 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.



Audit highlights



No matters to report



Matters to report – see link for details

Scope

Our audit of the financial statements (“financial statements”) of the Islands Trust Conservancy (the “Entity”) as at and for the year ended March 31, 2026, was performed in accordance with Canadian generally accepted auditing standards.

Status

We have completed the audit of the financial statements (“financial statements”), with the exception of certain remaining outstanding procedures, which are highlighted on the ‘Status’ slide of this report.

Risks assessment and results



Significant risks

No significant risks to report beyond those required by professional standards



Other risks of material misstatement



Other procedures



Going concern matters

Uncorrected misstatements



Uncorrected misstatements

There were no uncorrected audit misstatements identified.

Corrected misstatements



Corrected misstatements

We identified one misstatement to reclassify \$195,700 from investments to cash.

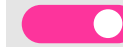
Control observations



Control observations

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

Policies and practices



Accounting policies and practices



Other financial reporting matters



Status

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 of Trustees
- Obtaining evidence of the Board's acceptance of the financial statements
- Obtaining a signed management representation letter
- Completing subsequent event review procedures up to the date of the Board's approval of the financial statements.

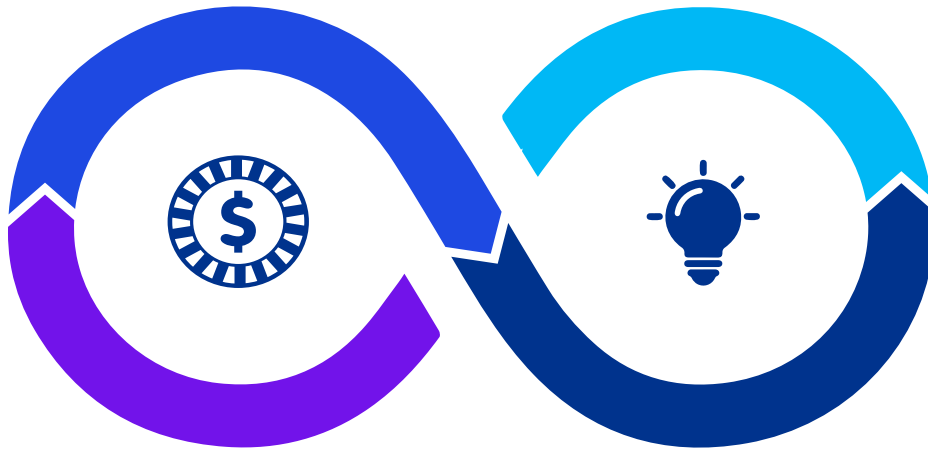
We will update the Board on significant matters, if any, arising from the completion of the audit, including the completion of the above procedures.

A draft of our auditor's report is included in the draft financial statements.





Materiality



We **initially determine materiality** at a level at which we consider that misstatements could reasonably be expected to influence the economic decisions of users. Determining materiality is a matter of **professional judgement**, considering both quantitative and qualitative factors, and is affected by our perception of the common financial information needs of users of the financial statements as a group. We do not consider the possible effect of misstatements on specific individual users, whose needs may vary widely.

We **reassess materiality** throughout the audit and revise materiality if we become aware of information that would have caused us to determine a different materiality level initially.

Plan and perform the audit

We **initially determine materiality** to provide a basis for:

- Determining the nature, timing and extent of risk assessment procedures;
- Identifying and assessing the risks of material misstatement; and
- Determining the nature, timing, and extent of further audit procedures.

We design our procedures to detect misstatements at a level less than materiality in individual accounts and disclosures, to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.

Evaluate the effect of misstatements

We also **use materiality** to evaluate the effect of:

- Identified misstatements on our audit; and
- Uncorrected misstatements, if any, on the financial statements and in forming our opinion.



Materiality



Materiality
\$20,000
(2025: \$12,000)

Prior year revenues

(average of prior years audited revenues)

\$660,000

(2025: \$450,000)

% Benchmark

3.0%

(2024: 2.70%)

The prescribed range is between 0.5% and 3.0% of the benchmark

Audit Misstatement Posting Threshold

\$1,000

(2024: \$600)



Significant risks



Management Override of Controls (non-rebuttable significant risk of material misstatement)

RISK OF



FRAUD

**Presumption
of the risk of fraud
resulting from
management
override of controls**

Why is it significant?

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.

Our planned response

As this presumed risk of material misstatement due to fraud is not rebuttable, our audit methodology incorporates the required procedures in professional standards to address this risk. These procedures include:

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

There were no issues noted in our testing.



Required inquiries



Inquiries regarding risk assessment, including fraud risks

- What are the Board's views about fraud risks, including management override of controls, in the Entity? And have you taken any actions to respond to any identified fraud risks?
- Is the Board aware of, or has the Board identified, any instances of actual, suspected, or alleged fraud, including misconduct or unethical behavior related to financial reporting or misappropriation of assets?
 - If so, have the instances been appropriately addressed and how have they been addressed?
- How does the Board exercise oversight of the Entity's fraud risks and the establishment of controls to address fraud risks?



Inquiries regarding Authority processes

- Is the Board aware of tips or complaints regarding the Entity's financial reporting (including those received through the Board's internal whistleblower program, if such programs exist)? If so, the Board's responses to such tips and complaints?



Inquires regarding related parties and significant unusual transactions

- Is the Board aware of any instances where the Entity entered into any significant unusual transactions?
- What is Board understanding of the Entity's relationships and transactions with related parties that are significant to the Entity?
- Is the Board concerned about those relationships or transactions with related parties? If so, the substance of those concerns?



Other areas of focus



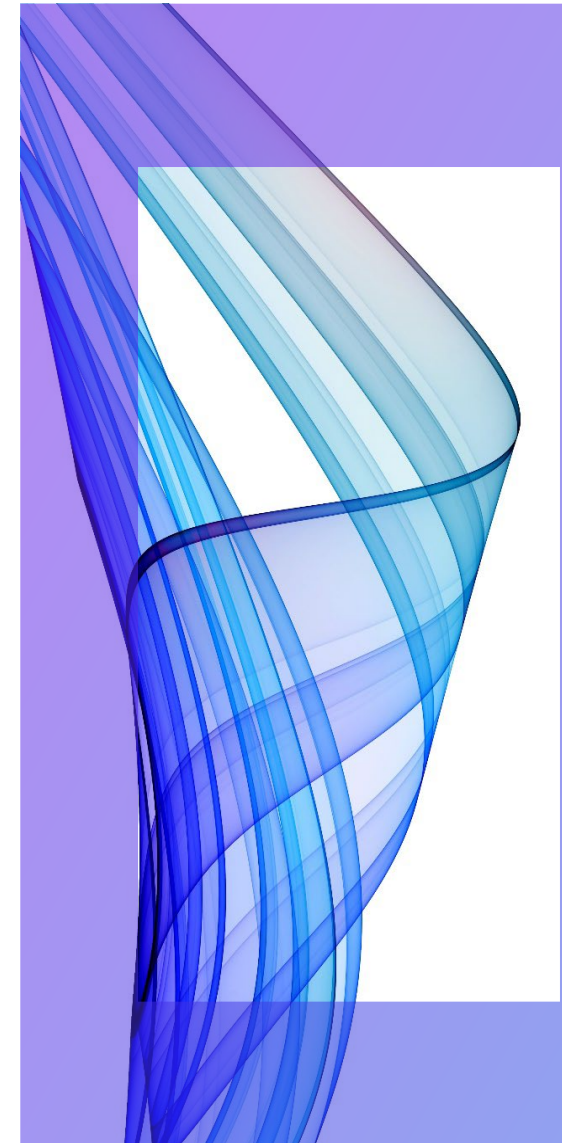
Donations revenue

Our response

- During the year, the Conservancy continued its work funded by the Species at Risk grant from Environment and Climate Change Canada (ECCC). The amount of grant available and recognized as revenue in fiscal 2026 was \$220,000.
- In addition, the Conservancy received a \$1 million donation to the Opportunity Fund and \$157,000 to the Property Management Fund. The two donations were received from an anonymous donor, via the Vancouver Foundation.

Response and findings

- We inspected the \$220,000 of costs incurred by Islands Trust and billed to the Conservancy for the Species at Risk grant. We evaluated the eligibility of the expenses in accordance with terms of the agreement.
- We agreed the two anonymous donations to email correspondence with the Vancouver Foundation and cash receipt in the Conservancy's bank accounts.
- We noted no issues as a result of our testing.





Other areas of focus



Other account balances and transactions

Response and findings

Other revenues

- We performed trend analysis over other 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.

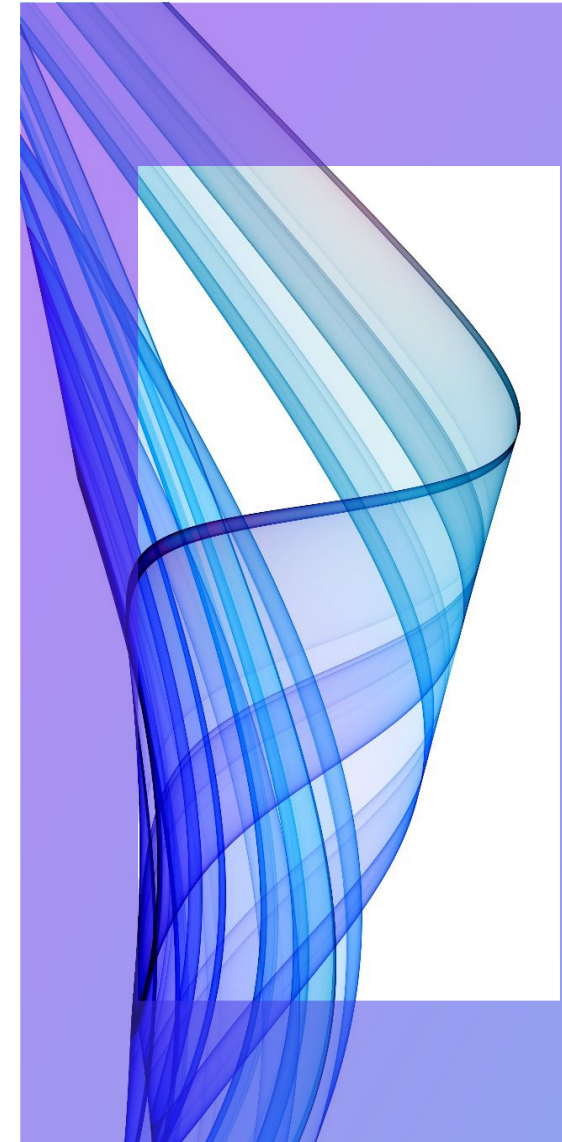
Cash, investments and loans

- 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.

We noted no issues as a result of our testing.





Audit misstatements

Misstatements include financial presentation and disclosure misstatements.



Impact of corrected misstatements

We identified and Management accepted one audit misstatement listed below.

Impact of uncorrected misstatements

We did not identify any uncorrected misstatements.

Description	Statement of operations	Financial position		
	Annual Surplus (Decrease) Increase	Assets (Decrease) Increase	Liabilities (Decrease) Increase	Opening accumulated surplus (Decrease) Increase
To reclassify \$195,700 from investments to cash, related to a high-interest savings account	-	(195,700) 195,700	-	-



Control deficiencies

Consideration of internal control over financial reporting (ICFR)

In planning and performing our audit, we considered ICFR relevant to the Entity'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 deficiency, or a combination of deficiencies, in internal control over financial reporting that, in our judgment, is important enough to merit the attention of those charged with governance.

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



Significant accounting policies and practices



Initial selection of significant accounting policies and practices

There have been no initial selections of accounting policies and practices.



Description of new or revised significant accounting policies and practices

There have been no new or revised significant accounting policies and practices.



Significant qualitative aspects

Discussion about qualitative aspects of significant accounting policies and practices

- **Evaluation & Conclusion:** Our judgments about the quality, not just the acceptability, of the District's significant accounting policies as applied in its financial reporting, including such matters as the consistency of the District's accounting policies
- **Appropriateness:** There were no issues noted with the judgments made, in formulating particularly sensitive financial statement disclosures.
- **Management bias:** There were no issues noted with the overall neutrality, consistency, and clarity of the disclosures in the financial statements.
- **Estimates:** There were no issues noted with management's process for making accounting estimates.
- **Effect on the financial statements or disclosures:** There were no significant potential effects on the financial statements of significant risks, exposures and uncertainties.

Appendices

1

Required
communicated

2

Management
representation letter

3

Audit quality

4

Independence

5

Current developments

6

Thought leadership



Appendix 1: Required communications



Auditor's report

Refer to the draft report attached to the financial statements.

Engagement letter

The objectives of the audit, our responsibilities in carrying out our audit, as well as management's responsibilities, are set out in the engagement letter.



Independence

As required by professional standards, we have considered all relationships between KPMG and the Entity that may have a bearing on independence. We confirm that we are independent with respect to the Entity 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, 2025 up until the date of this report.

Management representation letter

We will obtain from management certain representations at the completion of the audit. In accordance with professional standards, a copy of the representation letter is attached.



Appendix 2: Management representation letter

(Letterhead of Client)

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

DATE OF FINANCIAL STATEMENT 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, 2026.

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 May 1, 2026, 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 shareholders, board of directors and committees of the board of directors 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
 - otherswhere 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, short sellers, or others.
 - d) all known instances of non-compliance or suspected non-compliance with laws and regulations, including all aspects of contractual agreements or illegal acts, 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](#).

Other information:

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

Non-SEC registrants or non-reporting issuers:

- 13) 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).
- 14) 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.

Commitments and 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. Rueben Bronee, Chief Administrative Officer

Mr. Derek Cockburn, Director of Financial and Employee 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.

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.

Attachment II – Summary of Audit Misstatements Schedule(s)

Corrected misstatements

Description	Statement of operations	Financial position		
	Annual Surplus (Decrease) Increase	Assets (Decrease) Increase	Liabilities (Decrease) Increase	Opening accumulated surplus (Decrease) Increase
To reclassify \$195,700 of cash from investments	-	195,700 (195,700)	-	-
Total misstatements	-	-	-	-



Appendix 3: Our commitment to 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 management**; and
- all of our related activities are undertaken in an environment of the utmost level of **objectivity, independence, ethics and integrity**.

KPMG is committed to fulfilling our public interest role in providing robust assurance that can benefit investors and other stakeholders.

Businesses are integrating technology in ways once unimaginable. Geopolitical changes and inflationary pressures continue to drive uncertainty, and businesses need to take action to respond to societal threats like climate change.

The pace and scale of change only strengthens our resolve to ensure the quality, consistency and adaptability of our services are fit for this new future. Audit and assurance quality remains the highest priority at KPMG.

Through sustained innovation, we aim to consistently deliver superior audit quality. Across the global organization:

- KPMG firms have implemented a consistent risk-based approach to our system of quality management to drive audit and assurance quality, enabling us to meet the requirements of the International Standard on Quality Management 1 (ISQM 1).
- We are utilising powerful technologies on audit and assurance engagements, including artificial intelligence, and leveraging our alliances with technology leaders such as Microsoft to further enhance quality and provide even more value through deeper analysis of businesses, no matter their size.
- We believe the same level of rigour, quality, consistency and trust that is applied to financial statement information by companies should also apply to ESG reporting. Therefore, across the global organization we have deployed an assurance methodology, KPMG Clara workflow and learning tools to upskill and build teams to provide assurance on ESG reporting that helps our clients build a more sustainable future.

We encourage you to read our Transparency Report to learn more about our system of quality management and our firm's statement on the effectiveness of our SoQM:



[KPMG Canada Transparency Report](#)



How do we deliver audit quality?

Quality essentially means doing the right thing and remains our highest priority. We have strengthened the consistency and robustness of our system of quality management to meet the requirements of ISQM 1 (CSQM 1), issued by the International Audit and Assurance Standards Board. Foundational for quality management, KPMG's globally consistent approach to ISQM 1 drives compliance with the standard and our efforts to strengthen trust and transparency with clients, the capital markets and the public we serve.

Aligned with ISQM 1 (CSQM 1), our SoQM meets the requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA) and the relevant rules of professional conduct / code of ethics applicable to the practice of public accounting in Canada, which apply to professional services firms that perform audits of financial statements.

Our **Global Quality Framework** outlines how we deliver quality and how every KPMG professional contributes to its delivery.



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



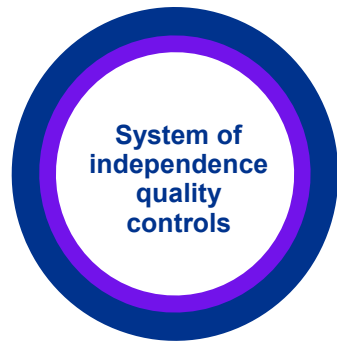
Doing the right thing. Always.



Appendix 4: Independence - Shared responsibilities

Auditor independence is a shared responsibility and most effective when management, audit committees, and audit firms work together in considering compliance with relevant independence rules. In order for KPMG to fulfill its professional responsibility to maintain and monitor independence, management, the audit committee, and KPMG each play an important role. We apply the following ethical requirements, including independence requirements, in:

- the rules of professional conduct / code of ethics applicable to the practice of public accounting issued by various professional accounting bodies in Canada (“CPA code”) that are relevant to audits of financial statements of non-reporting issuers; and
- the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (“IESBA independence rule”) that are relevant to audits of financial statements of non-public interest entities.



The firm maintains a system of quality control over compliance with independence rules and firm policies. Timely information before the effective date of transactions or other business changes is necessary to effectively maintain the firm’s independence in relation to:

- New related entities
- Any former KPMG professional who are directors, officers, or employee in a position to exert significant influence over the preparation of the client’s accounting records or the financial statements.



- We will report to those charged with governance all relationships that may reasonably be thought to bear on our independence, including fees charged, and discuss the potential effects of such relationships on our independence. We will also report the related safeguards that have been applied, as applicable, to eliminate identified threats to independence or reduce them to an acceptable level.
- This communication, if any, will be provided during our year-end communications.





Independence



Under the newly effective *Narrow-scope Amendments to Canadian Auditing Standard (CAS) 700, Forming an Opinion and Reporting on Financial Statements, and CAS 260, Communication with Those Charged with Governance*, the auditor shall communicate with those charged with governance the relevant ethical requirements, including those related to independence, that the auditor applies for the audit engagement, including if applicable in the circumstances, any independence requirements specific to audits of financial statements of certain entities.

In accordance with this requirement, we communicate to the Committee that we apply the following ethical requirements, including independence requirements, in:

- the rules of professional conduct / code of ethics applicable to the practice of public accounting issued by various professional accounting bodies in Canada (“CPA Code”) that are relevant to audits of financial statements; and
- the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants that are relevant to audits of financial statements.



Appendix 5: Current developments

Accounting standards

Conceptual Framework for Financial Reporting in the Public Sector

Effective for years commencing on or after April 1, 2026 with early 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

Effective for years commencing on or after April 1, 2026 with early adoption permitted.

- The proposed section PS 1202 *Financial statement presentation* will replace the current section PS 1201 *Financial statement presentation*. PS 1202 *Financial statement presentation*.
- 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.



Appendix 5: Current developments (continued)

Accounting standards (continued)

Employee Benefits

Effective for years commencing on or after April 1, 2029 with early adoption permitted.

- The Public Sector Accounting Board has issued a new standard PS 3251 *Employee benefits* which will replace the current sections PS 3250 *Retirement benefits* and PS 3255 *Post-employment benefits, compensated absences and termination benefits*.
- The standard uses principles from International Public Sector Accounting Standard 39 *Employee benefits* as a basis for the Canadian standard.
- The standard results in public sector entities recognizing the impact of revaluations of the net defined benefit liability (asset) immediately on the statement of financial position.
- The standard also requires that fully funded post-employment benefit plans use a discount rate based on the expected market-based return of plan assets and underfunded plans use a discount rate based on the market yield of government bonds, high-quality corporate bonds or another appropriate financial instrument. A simplified approach to determining a plan's funding status is provided.
- The standard also requires that:
 - Deferral provisions – Remeasurement gains and losses are presented as part of accumulated remeasurement gains and losses.
 - Valuation of plan assets – Upon adoption, public sector entities may continue to recognize non-transferable financial instruments balances that meet the definition of plan assets under existing PS 3250 guidance. This transitional provision does not permit the recognition of additional amount after adoption that do not meet the revised definition of plan assets.
 - Joint defined benefit plans – Defined benefit accounting is used for measurement of the proportionate share of the plan, instead of previously proposed multi-employer plan accounting which permitted accounting based on defined contribution concepts where insufficient information exists to use defined benefit accounting.
 - Disclosure of other long-term employee benefits and termination benefits – The standard does not include prescriptive disclosure requirements for other long-term employee benefits and termination benefits.
- The standard's guidance will be applied retroactively, with or without prior period restatement.



Appendix 5: Current developments (continued)

Accounting standards (continued)

Intangible Assets

Proposed to be effective for years commencing on or after April 1, 2030 with early adoption permitted.

- The Public Sector Accounting Standards Board has issued proposed new standard PS 3155 *Intangible Assets* which would replace Public Sector Guideline 8 *Purchased Intangibles*.
- The standard will include foundational guidance on acquired and internally generated intangibles. It excludes intangible assets addressed in other public sector accounting standards and other intangible items such as exploration and extraction costs for non-renewable resources or intangible assets related to insurance contracts.
- The definition of “intangible assets” requires an intangible resource to be separate and identifiable from goodwill. It also requires that the entity has control over the intangible resource, future economic benefits flow from the intangible resource, and the intangible resource is the result of a past transaction and/or other events.
- Internally generated goodwill is not permitted to be recognized as an asset.
- An intangible resource is recognized when it meets the definition of an intangible asset and the asset’s cost can be measured in a faithfully representative way. The generation of the asset is classified into a research phase and a development phase. Expenditures from the research phase of an internally generated project are expensed. An intangible asset arising from the development phase can be recognized if it meets certain requirements.
- Intangible assets are initially measured at cost and subsequently carried at cost less accumulated amortization and accumulated impairment losses. Intangible assets acquired through a non-exchange transaction are measured at fair value as of the date it is acquired.

Cloud Computing Arrangements

- As part of its intangible assets project, the Public Sector Accounting Standards Board is also developing guidance on cloud computing arrangements. To ensure the development of this accounting guidance reflects current practices and needs, a survey was used to gather insights. The survey will inform the Public Sector Accounting Board about the types of cloud computing arrangements being encountered, magnitude of costs, key arrangement terms, current accounting policies and unique challenges in practice.



Appendix 6: Thought leadership and insights

Half of Public Servants Turn to AI Raising Risks

KPMG survey finds public sector unready for AI, low literacy, need for digital sovereignty.

While less than a quarter (**22 per cent**) of Canadian public sector organizations have adopted artificial intelligence (AI), half of the public servants who use AI in their jobs rely on publicly available AI tools, exposing governments to potential risks including data privacy and security breaches, intellectual property theft and exposure to biased or inaccurate information that can lead to legal and ethical issues, finds a new KPMG in Canada research.

[Click here for more information](#)

Intelligent Government

The emergence of generative AI, alongside advanced autonomous and agentic systems, is transforming how government and the public sector innovate and operate. Our findings reveal an actionable blueprint for governments and organizations aiming to leverage AI's potential to drive efficiency, reduce time-to-market and improve patient outcomes. This report provides insights into how they can take a value-based approach to AI that helps to accelerate innovation, unlock new growth opportunities, and maximize the impact of their AI investments.

[Click here for more information](#)

KPMG 2025 Canadian CEO Outlook

Our 2025 CEO Outlook survey reveals a compelling paradox: Canadian CEOs are increasingly confident in the growth of their companies and industries, yet their optimism about the Canadian and global economies is waning.

Despite the evolving pressures, CEOs alike are proactively focusing on making their organizations more resilient to external shocks. They are not just reacting to changes, but are actively seeking ways to mitigate external risks, improve productivity and optimize revenue.

[Click here for more information](#)

Midyear Observations on the 2025 Board Agenda

Disruption, volatility, and uncertainty aren't new operating conditions by any means. But the assumptions that have long driven corporate thinking - the role of government, geopolitical norms, and consistency in US policies as administrations change, and the speed of technological advances—are being upended. Few business leaders have experienced the scope, complexity, and combination of issues companies are facing today—and many will earn their stripes in the months ahead.

[Click here for more information](#)

Accelerate

The Canadian business landscape is experiencing profound interconnected geopolitical, technological and sustainability challenges which are causing compound impacts on the balance sheet. The audit committee's role in stewarding their organization towards increased productivity, resilience, and growth has never been more essential.

Our *Accelerate* series strives to provide audit committees with actionable insights and clear guidance for navigating through these interconnected challenges.

[Click here for more information](#)



Appendix 6: Thought leadership and insights (continued)

From Smart to Smarter Cities

Leveraging integration, data and enablement for sustainable and resilient urban transformations.

Cities are reaching a crisis point. City populations are growing. Citizen satisfaction with government services is weakening. And net zero deadlines are looming. Cities recognize that their traditional approaches to city planning, development, management and renewal will not get them to their goals in time. They must become smarter, more integrated, data-driven and enabling.

From Smart to Smarter Cities explores how a focus on becoming more integrated, data-driven and enabling can help city decision-makers, infrastructure leaders and private companies accelerate their smart city agendas.

In this report, professionals from KPMG's global network join with experienced industry and city leaders to unpack these three priorities – integrated, data-driven and enabling – across the lens of the six challenges facing cities today – urban planning, data and privacy, transportation and mobility, sustainability and social equity, governance and oversight, and funding and financing.

[Click here for more information](#)

Blueprint for Livable Economies

Unlocking livability through place-based business cases

Rapid urbanization, climate volatility, fiscal constraint and rising social expectations are exposing the limits of traditional approaches to urban planning and investment. The challenge is not a lack of ambition or funding, but rather how decisions are made, investments are structured and delivery is governed and coordinated. Addressing the gap between investment and outcomes requires cities to move beyond asset-level justification towards integrated, geography-specific portfolios and place-based business cases that reflect how places function and are experienced in practice.

Developed in collaboration by KPMG International, Davos Baukultur Alliance and UN-Habitat, this white paper supports that shift. Drawing on global case studies, executive insight and practical tools, it sets out how public sector leaders can apply a place-based approach using levers already within their control.

At the center of the paper is the *Blueprint for livable economies*, a decision-making framework designed to help city leaders, investors and partners align outcomes, economic pathways and delivery mechanisms.

[Click here for more information](#)



Appendix 6: Thought leadership and insights (continued)

Our latest thinking on the issues that matter most to Boards, Committees 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.

Sustainability Reporting

Resource centre on implementing the new Canadian reporting standards.

Audit Committee Guide – Canadian Edition

A practical guide providing insight into current challenges and leading practices shaping audit committee effectiveness in Canada.





Appendix 6: Thought leadership and insights (continued)

Where are Finance Teams adopting AI

Finance's role as a business partner has put them in an ideal position to lead enterprise adoption

Generating commentary

Reduce the time and effort needed to create recurring materials required for financial reporting, business reviews, management reports, and board meetings.

Generating strategic insights

Partner with other functions to provide insights across the business. Use finance's position to inform strategic decisions and solve problems with pricing, performance, and benchmarking metrics.

Managing contracts

Generative AI tools can draft contracts with preferred term and prioritize contract reviews based on deviations from standard terms and conditions.



Forecasting & budgeting

Integrating predictive models, creating scenarios, and generating insights on potential financial outcomes.



Collecting marketing intelligence

Powerful research tool able to find and synthesize public data to generate insights on markets, competitors, and customers.



Detecting anomalies

Generative AI shows promise as a tool for detecting errors and potential fraud. It can compare new data with past patterns to identify anomalies.



AI naturally aligns to CFO's existing responsibilities related to business strategy, digital transformation, and risk management



Appendix 6: Thought leadership and insights (continued)

AI brings Risks as well as Opportunities

Internal Risks & Considerations



Breaking Confidentiality

Many Generative AI models are built to absorb user-inputted data to improve the model over time. This could lead to exposure of key confidential information



Employee Misuse and Inaccuracies

Models generate responses based on input, so there is a risk of providing false or malicious content. Employees need to be cautious and review AI-generated content with a critical



Talent Implications

Professionals need to be made aware of their role in training and evolving the solution as high-quality output can only be achieved through high-quality, expert queries



Policies and Regulations

As the world's understanding of AI evolves, more policies and regulations will be brought upon by regulators which in turn need to be complied with

External Risks & Considerations



Misinformation, Bias and Discrimination

The model could generate a response containing inappropriate information or language. In cases where the model does not have an accurate response, it may 'hallucinate' with a false response.



Financial, Brand & Reputational Risk

Copying AI-produced information or code into any deliverable or product could constitute copyright infringement leading to legal and reputational harm



Intellectual Property and Copyright

Risks in copyright includes the potential creation of unauthorized plagiarized content, leading to infringement and violations of intellectual property rights



Cybersecurity

Generative AI models could be trained and employed for many cybersecurity attacks such as phishing scams, malware, data poisoning etc.



Appendix 6: Thought leadership and insights (continued)

Get ready for Canadian Sustainability Standards Board (CSSB) sustainability disclosures



What was issued?

- The first Canadian Sustainability Disclosure Standards¹, which mark the next step towards equal prominence for sustainability and financial reporting in Canada.
- They are aligned with the IFRS[®] Sustainability Disclosure Standards, with the exception of effective date and transition relief.
- They are based on existing frameworks and standards, including Task Force on Climate-Related Financial Disclosures (TCFD) and Sustainability Accounting Standards Board (SASB).
- They are investor-focused.



What's the impact?

- Companies applying these standards will report on all relevant sustainability topics (not just on climate) under a consistent framework and focus on how these topics impact a company's prospects.
- Reporting will be connected to the financial statements. Therefore, companies will need processes and controls in place so that they can provide sustainability-related information of the same quality, and at the same time, as their financial information.



What's next?

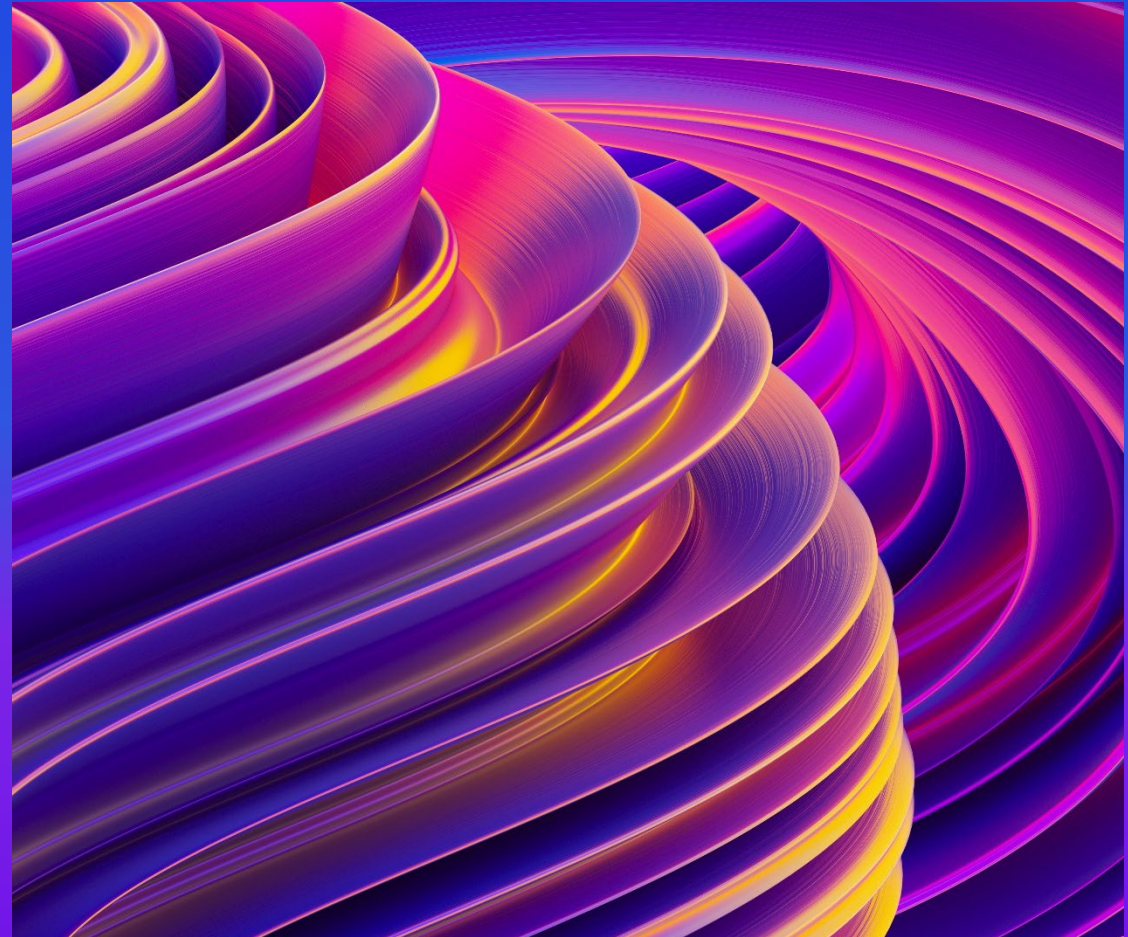
- The standards are effective from January 1, 2025 on a voluntary basis.
- Canada's provincial and territorial regulators and legislators will determine whether application of the standards should be mandated, and if so, who will need to apply them and over what time frame.
- Some public and private companies may choose to apply them voluntarily – e.g., in response to investor or societal pressure.

¹ Canadian Sustainability Disclosure Standards – CSDS 1 *General Requirements for Disclosure of Sustainability-related Financial Information* and CSDS 2 *Climate-related Disclosures*, both published on December 18, 2024.



<https://kpmg.com/ca/en/home.html>

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REQUEST FOR DECISION

To: Islands Trust Conservancy
Board

For the Meeting of: June 2, 2026

From: Staff

Date Prepared: May 27, 2026

SUBJECT: March 31, 2025 Audited Financial Statements

RECOMMENDATION(S):

That the Islands Trust Conservancy Board approve the Audited Financial Statements for the 2025/26 fiscal year, and refer the statements to Islands Trust Council for information.

- 1 PURPOSE:** To review and approve the March 31, 2026 Audited Financial Statements for 2025/26 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 2025/26 fiscal year.

Areas of interest are highlighted in the audited financial statements and related audit findings report. Of note for the 2025/26 fiscal year, are the following:

- There were no new accounting standards implemented in the year.
- There were no acquisitions or disposals of any property in the year.
- There was one significant anonymous donation made to ITC in the year (\$1.16M from the ShorePeak GEN, held by the Vancouver Foundation). One million was directed to the Opportunity Fund, and \$157,304.30 was directed to the Property Management Fund.
- Note 1(g) of the Financial Statements (natural assets). The monetary value of natural assets from ITC lands is not quantified or shown in the financial statements. 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. (no change from prior year)

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.

4 **RELEVANT POLICY(S):** [Islands Trust Act, section 45](#)

5 **ATTACHMENT(S):**

- Draft Audited Financial Statements of the Islands Trust Conservancy for the Year Ended March 31, 2026
- Islands Trust Conservancy Audit Findings Report for the Year Ended March 31, 2026

RESPONSE OPTIONS

Recommendation:

That the Islands Trust Conservancy Board approve the Audited Financial Statements for the 2025/26 fiscal year, and refer the statements to Islands Trust Council for information.

Alternative: None identified.

Prepared By: Wendy Tyrrell, Manager, Islands Trust Conservancy / May 27, 2026