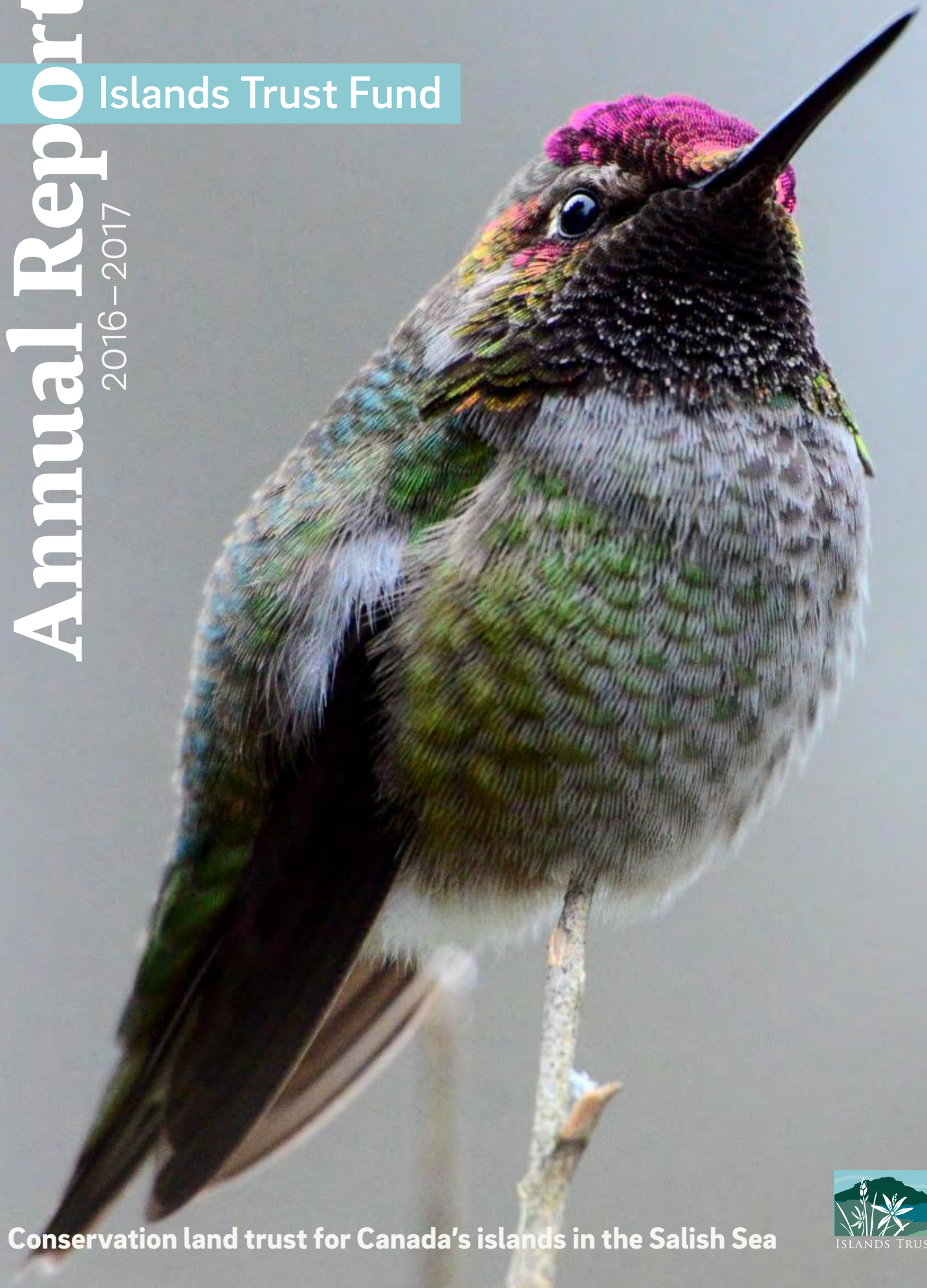


Annual Report

2016 – 2017

Islands Trust Fund



Conservation land trust for Canada's islands in the Salish Sea



Message from the Islands Trust Fund Board Chair

"The Islands Trust is committed to changing its organizational approach to relations with the 37 First Nations with interests in the lands and waters in the Trust Area. The goal is to move beyond formality and have interactions rooted in a sincere and genuine relationship of mutual respect."

These words are from the Islands Trust's First Nations Engagement Principles Policy and are strongly echoed by the Trust Fund Board. We recognize that our ability to preserve ecosystems is possible because the stewardship of the 37 First Nations with interests in the lands and waters in the Trust Area has left a lasting legacy of diverse ecosystems throughout the islands.

Since 1990, islanders have entrusted the Islands Trust Fund with the responsibility to protect habitat on many well-loved islands places. As a land trust, the Islands Trust Fund promises the land and covenants we receive are protected forever. We treat each donation we receive as an investment in our islands' future.

This year we reached an important milestone of 100 Protected Places in the Trust Area, preserving over 1,190 hectares of diverse island ecosystems for future generations. We acknowledge with gratitude our partners, land stewards, other local land trusts and conservancies working on conservation in the islands.

Looking to the future, Trust Fund Board and staff are in the process of renewing the Regional Conservation Plan (RCP), working in concert with the other entities of the Islands Trust, our regional conservancy partners, the people of the islands and First Nations. Recognizing the diversity of voices and connections with the landscape will help shape a new RCP to achieve common goals for strengthening the protection of nature in our area.





PAMELA HAFEY

In the spirit of reconciliation, the Islands Trust Fund commits to listening and learning from First Nations. We understand Nations are inundated with requests for consultation and participation and that treaty negotiations may involve lands identified for conservation. Our hope is that respectful and collaborative relationships, based on recognizing values and interests, can ensure that healthy island ecosystems flourish alongside healthy communities.

A handwritten signature in black ink, appearing to read 'Tony Law'.

Tony Law
Chair, Trust Fund Board



Trust Fund Board

Role

The Islands Trust Fund was established in 1990 by the *Islands Trust Act* to preserve natural landscapes and ecosystems in the Islands Trust Area, which covers most of Canada's islands in the Salish Sea. As the regional land trust for the Islands Trust Area, the Islands Trust Fund works with landowners and communities to protect places of natural or cultural significance in perpetuity. The Islands Trust Fund receives donations of land, conservation covenants and cash, monitors and manages land to conserve and restore biodiversity and works with islanders on private land stewardship. As a *qualified donee*, the Trust Fund Board provides receipts for income tax purposes for all eligible donations received.

Members

Tony Law, Hornby Island (1996–2005, 2011–2014, 2014–2018,
Chair, 2012–present)

Susan Morrison, Lasqueti Island (2011–2014, 2014–2018)

Kate-Louise Stamford, Gambier Island (2014–2018)

Ron Bertrand, Abbotsford and North Pender Island
(Appointed Member, 2014–2015, 2015–2018)

Richard Hoops Harrison, Vancouver and Saturna Island
(Appointed Member, 2016–2019)

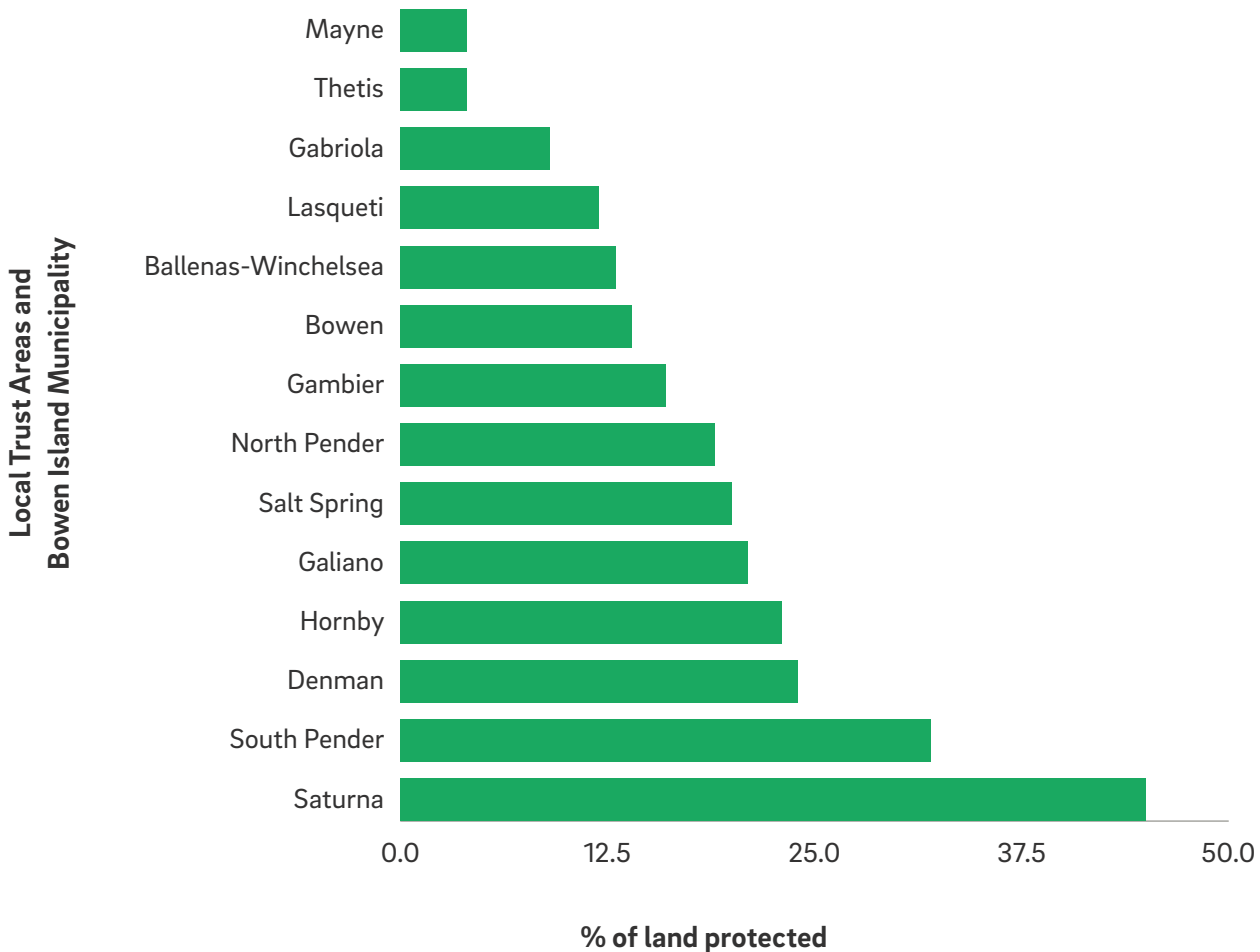
Robin A. Williams, Salt Spring Island
(Appointed Member, Jan. to Dec. 2017)



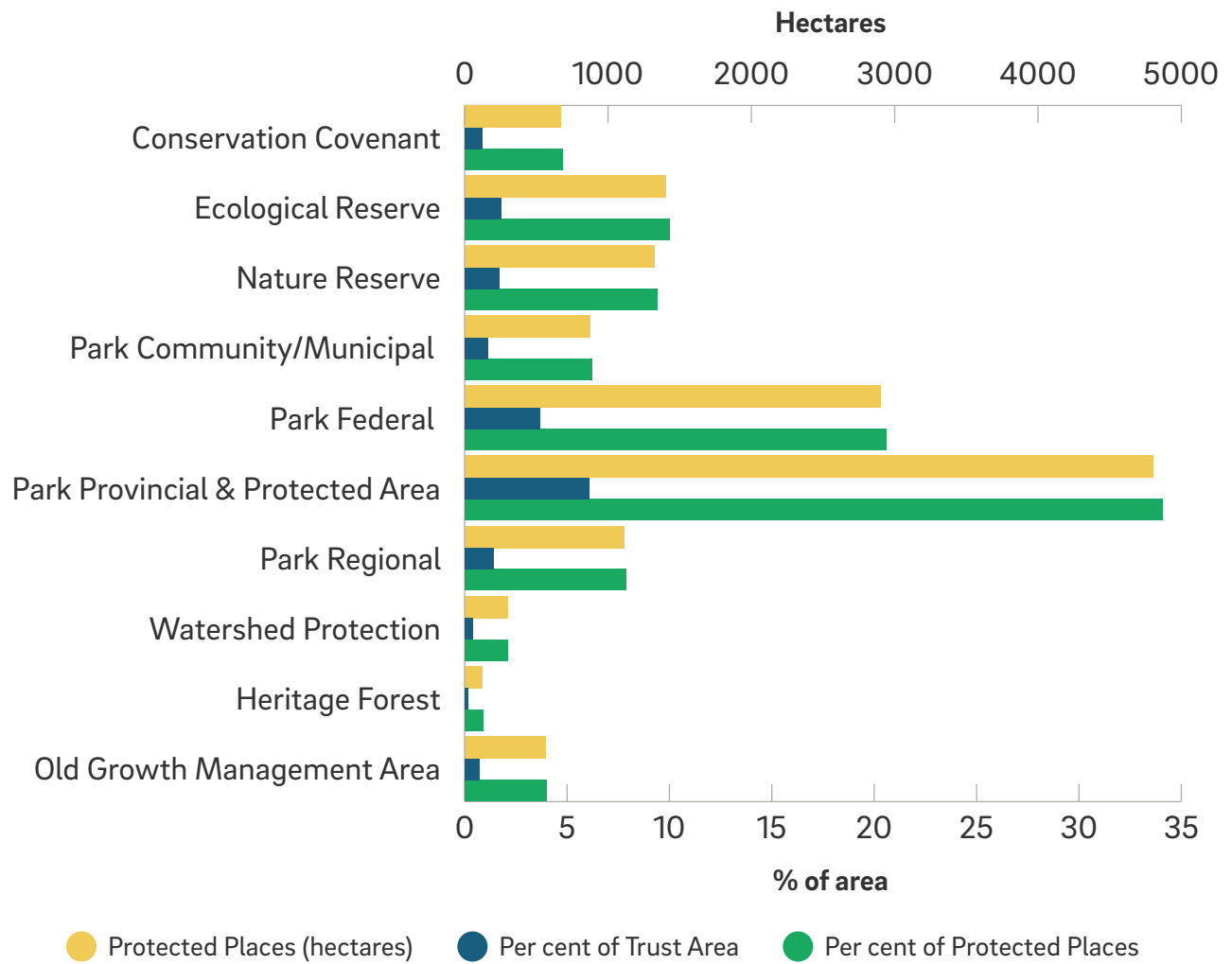
Protected Places in the Islands Trust Area

As of March 2017, the Trust Fund Board reached an important milestone, protecting over 1,190 hectares of natural and cultural values on 100 properties, or 1.47 per cent of the Islands Trust Area. By the same date, public and non-profit conservation organizations (including the Islands Trust Fund) had protected 14,070.53 hectares (17.8 per cent) of the Islands Trust Area.

Protected Places in each Local Trust Area and Island Municipality as of March 31, 2017

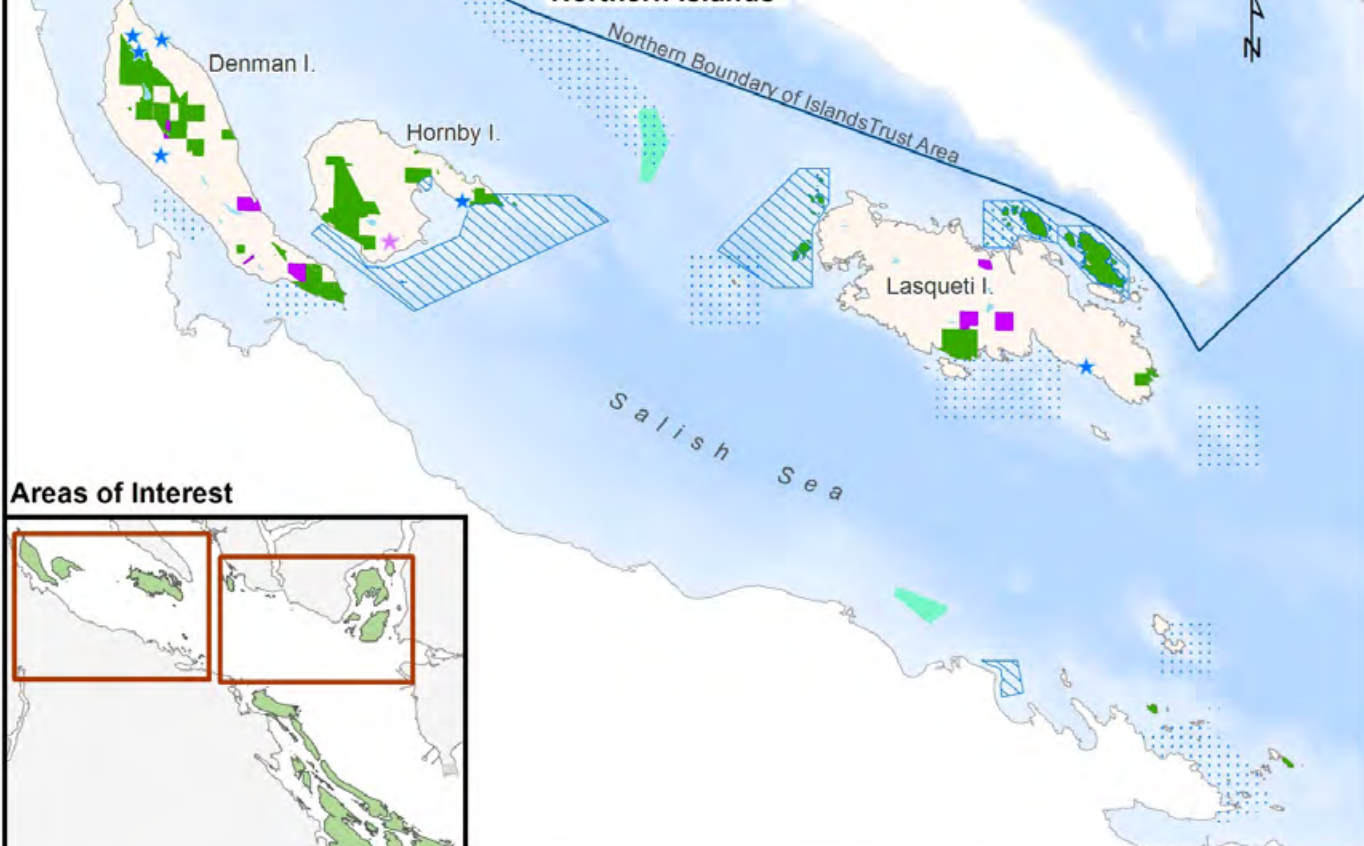


Types of Protected Places in the Islands Trust Area



Protected Places in the Islands Trust Area as of March 31, 2016

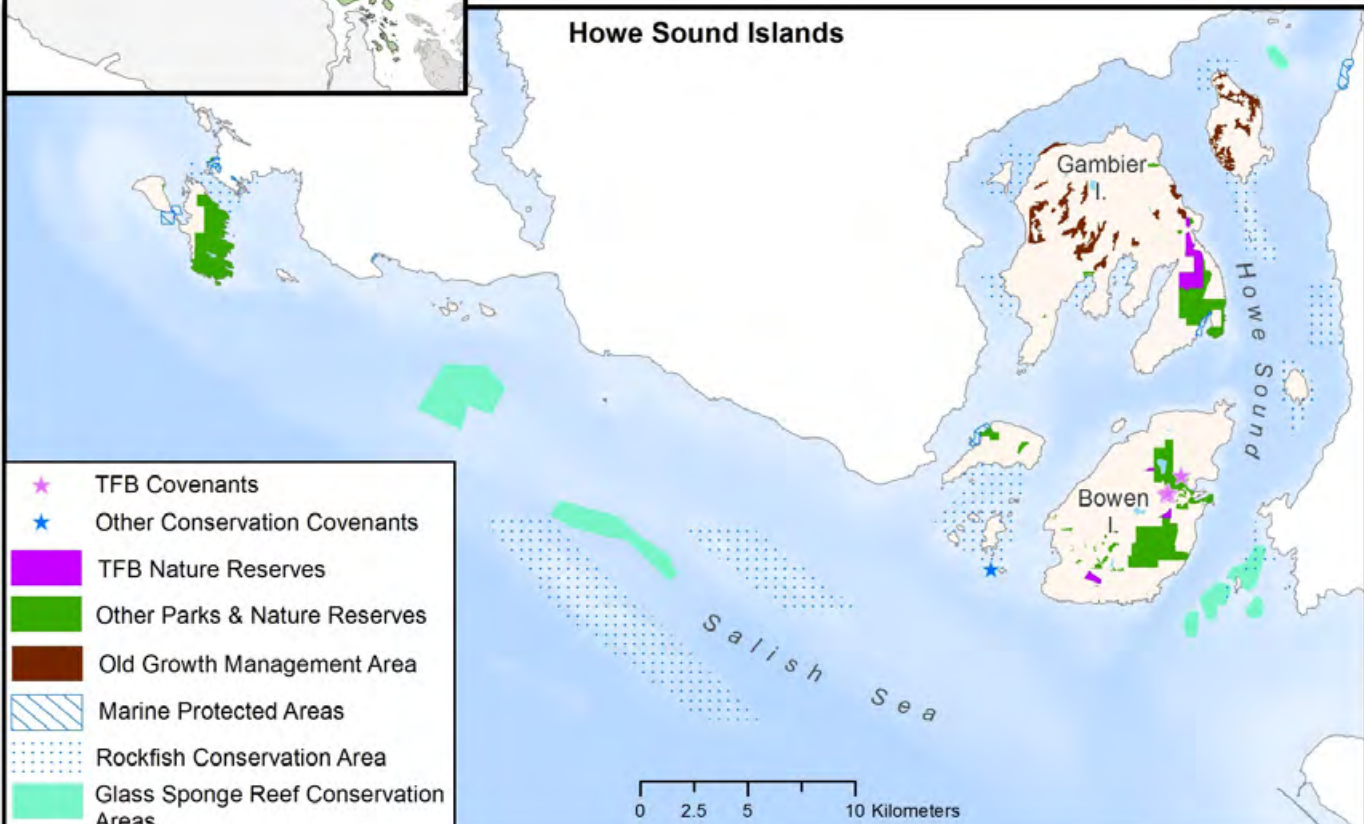
Northern Islands



Areas of Interest



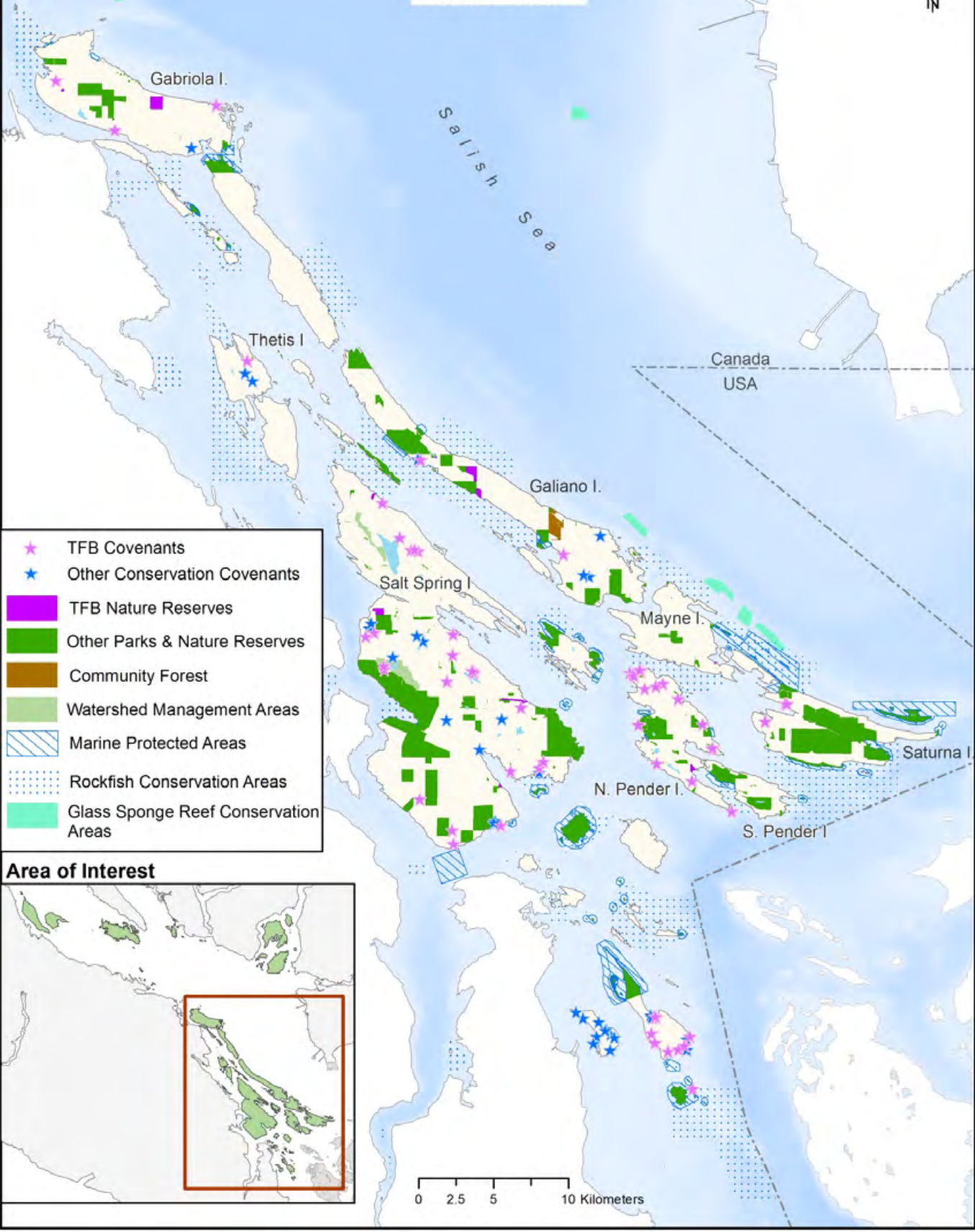
Howe Sound Islands



- ★ TFB Covenants
- ★ Other Conservation Covenants
- TFB Nature Reserves
- Other Parks & Nature Reserves
- Old Growth Management Area
- ▨ Marine Protected Areas
- Rockfish Conservation Area
- Glass Sponge Reef Conservation Areas

Protected Places in the Islands Trust Area as of March 31, 2016

Southern Islands



- ★ TFB Covenants
- ★ Other Conservation Covenants
- TFB Nature Reserves
- Other Parks & Nature Reserves
- Community Forest
- Watershed Management Areas
- ▨ Marine Protected Areas
- ▨ Rockfish Conservation Areas
- ▨ Glass Sponge Reef Conservation Areas

Area of Interest



0 2.5 5 10 Kilometers



Regional Conservation Plan

The Islands Trust Fund's Regional Conservation Plan (RCP) identifies the region's species and habitats most in need of protection and the actions needed to protect these biodiversity priorities. The Regional Conservation Plan sets short-term conservation targets for the Islands Trust Fund and its partners that will help achieve the broader vision and long-term goals of the Plan. In 2014, the Trust Fund Board extended the Regional Conservation Plan until 2017. Nearing the end of the current plan, the Islands Trust Fund is seeking feedback from experts, partners, the public and the 37 First Nations with interests in the lands and waters in the Trust Area to re-define long-term goals for the next Regional Conservation Plan, (2018–2027) for the Islands Trust Area.

The following is a summary of the Islands Trust Fund's progress in reaching the seven long-term goals of the current Regional Conservation Plan in 2016–2017:

Goal 1: Protect Core Conservation Areas

The Islands Trust Fund strives to secure core conservation areas (through land donation, direct purchase and covenants) that conserve biodiversity priorities within the Islands Trust Area. Since adoption of the Regional Conservation Plan, conservation agencies have cumulatively protected 1,264 hectares of habitat in the Islands Trust Area, 856 hectares of which were mapped as having high conservation value by the Islands Trust Fund. The Islands Trust Fund contributed 173 hectares of that figure, 140 hectares of which were mapped as having high conservation value. In 2016–2017 the Trust Fund Board adopted a Securement Strategy to guide its land acquisition and conservation covenant activities.

2016–2017 Conservation Covenant Donations

Covenants are the best conservation tools currently available to permanently protect natural features on private property while allowing landowners to retain ownership of their land. The Islands Trust Fund also offers Islands Trust Area landowners the Natural Area Protection Tax Exemption Program (NAPTEP), a covenant program that provides landowners with an annual 65 per cent property



29 hectares of island landscapes protected in 2016–2017

tax reduction on portions of their land protected by a conservation covenant. NAPTEP is available throughout the Islands Trust Area.

- **Fischer Covenant (6.12 hectares), Hornby Island**

Fischer Covenant protects a special ridgetop property on the southern side of Hornby Island with veteran Douglas-fir trees and a mature Garry oak meadow. Hornby Island is the northernmost part of the range for Garry oak ecosystems, and only five per cent of Canada's Garry oak ecosystems remain in a near-natural state. Native grasses, chocolate lilies, white fawn lilies, camas lilies and shooting stars erupt every spring. Old-growth Douglas-fir trees provide perches for bald eagles. As the land steward learned more about the sensitive ecosystems, native plants and animal species of their home, she decided to register a conservation covenant to ensure the natural habitat would be protected forever.

- **Moore Hill Nature Reserve (21.04 hectares), Thetis Island**

A new nature reserve at Moore Hill protects a unique unspoiled waterfront forest on the east coast of Thetis Island and marks the Islands Trust Fund's 100th protected place. This property increases the land protected on Thetis Island from one per cent to four per cent. Steep sandstone cliffs provide habitat for bats, huge first growth veteran Douglas-fir trees rise from the cliffs and in small grassy openings, camas, fritillaries and other wildflowers grow amongst the Garry oaks and arbutus. This hill also is culturally significant to the local First Nations. The purchase of this property was made possible with a grant from Environment and Climate Change Canada's Habitat Stewardship Program for Species at Risk, a significant private donation and an Ecological Gift (split receipt) from the previous land steward.





- **Isabella Point Covenant (2.15 hectares), Salt Spring Island**
The Isabella Point Covenant protects a treasured south end promontory of moss covered rocky bluffs and rugged shoreline. This geographically significant place supports Douglas-fir, cedar, maple and arbutus trees and is home to several species at risk, most notably peregrine falcon and band-tailed pigeon. The rare sharp-tailed snake has also been detected nearby. The land steward worked with the Salt Spring Island Conservancy and the Islands Trust Fund to register a voluntary covenant to ensure the significant natural and cultural features will be protected forever.

Geographically Restricted Funds

Some people who donate to the Islands Trust Fund prefer to designate their donation to a specific island. To accommodate this request, the Trust Fund Board has the ability to hold geographically-specific accounts and has created acquisition funds for Lasqueti Island, Gambier Island and Thetis Island.

Goal 2: Protect Biodiversity in Working Landscapes

The Islands Trust Fund worked with a Masters Student in the University of Victoria's School of Public Administration to research ways that other organizations protect biodiversity priorities on working landscapes and the costs associated with working landscape conservation. Working landscapes were defined as forestry and agricultural lands for the purposes of the project. Agriculture, forestry and residential development are important parts of island life and the Islands Trust Fund encourages land uses that respect and maintain the health and integrity of island ecosystems.

Goal 3: Conserve Marine Ecosystems

The Islands Trust Fund works with partner organizations to conserve marine ecosystems and habitats. In 2016–2017, the Islands Trust Fund worked with the B.C. Marine Conservation and Research Society to continue mapping of suitable forage fish beach spawning habitat of the Islands Trust Area, focusing on Galiano, Salt Spring, Valdes and Lasqueti Islands. Forage fish, including Pacific herring, Pacific sand lance and surf smelt, form the cornerstone of marine food webs. Identifying and mapping the suitable spawning habitat of forage fish can lead to improved stewardship and land use of shoreline areas. Islands Trust Fund staff presented forage fish mapping and eelgrass mapping at the Salish Sea Ecosystem Conference, a bi-annual, cross-border conference about marine ecosystems that was held in Vancouver in 2016.

The Islands Trust Fund also maintains and updates marine protected area data, including mapping of marine parks, Rockfish Conservation Areas and Glass Sponge Reef Fishing Closure Areas. Marine data is shared with our partners on request.



Goal 4: Encourage Local Governments to Prioritize Biodiversity

The Islands Trust Fund strives to work with Islands Trust Council, local trust committees and island municipalities to implement regional conservation goals and objectives within official community plans and land use bylaws.

In 2016–2017, the Islands Trust Fund provided ongoing support for Islands Trust Local Planning Services' use of sensitive ecosystem mapping, shoreline mapping (eelgrass and forage fish) and species at risk mapping. It also provided eelgrass habitat mapping to the Salt Spring Island Local Trust Committee for incorporation into its Land Use Bylaw and facilitated a joint project between the Coastal Douglas-fir and Associated Ecosystems Conservation Partnership and the Gambier Island Local Trust Committee to undertake mapping to inform the Gambier Island Official Community Plan review.

The Islands Trust Fund also played a key role in obtaining new data for use by land use planning staff and local trust committees, including working with Environment and Climate Change Canada to obtain new Species at Risk Critical Habitat data and working with the Islands Trust to procure building footprint data.

Goal 5: Empower Islanders to Conserve the Islands

Stewardship Education

The Islands Trust Fund encourages islanders to get involved in conserving and stewarding private land by supporting conservation education and sharing information on best practices. In 2016–2017, the Islands Trust Fund promoted private land conservation through its website, the Heron newsletter (printed and online), e-news updates to subscribers, Facebook posts and Twitter. Islands Trust Fund brochures are also available in local libraries, on ferries, real estate offices and various other offices and businesses throughout the islands.

Island Outreach

Islands Trust Fund staff and Trust Fund Board members hosted information booths and interpretive eelgrass displays at the busy Pender Island and Salt Spring Island Fall Fairs. Staff and Board members reached over 500 people, educating children, locals and visitors about the role of eelgrass beds as nature's nurseries.

Realtor Outreach

The Islands Trust Fund presented information about conservation covenants at a Vancouver Island Real Estate Board sponsored Gulf Islands Real Estate Conference on Gabriola Island. Realtors play a key role in transitioning properties with conservation covenants to new land stewards.

Goal 6: Building Strong Conservation Partners

The Islands Trust Fund strives to support and enhance the work of conservation partners working in the Islands Trust Area.

- **Fairyslipper Forest Campaign**

Since 2014, the Islands Trust Fund has been partnering with the Thetis Island Nature Conservancy and Cowichan Community Land Trust to purchase and protect Fairyslipper Forest, on lower Burchell Hill, Thetis Island. The campaign met its June 2, 2016 fundraising goal by securing 50 per cent of the purchase price in grants, donations or pledges. The campaign continues until June 2017.

- **Opportunity Fund**

The Opportunity Fund raises public support for key opportunities to protect biodiversity in the Islands Trust Area. The fund provides support for ‘hard to fundraise’ costs associated with land protection or to leverage increased donations for specific land acquisition projects. Grants from the Opportunity Fund support acquisitions led by either the Islands Trust Fund or our partners. The disbursement of funds is guided by the Regional Conservation Plan, and each opportunity is considered by the Trust Fund Board.

In 2016–2017, the Opportunity Fund received \$5,980 in donations and grants. The Trust Fund Board distributed the following Opportunity Fund grants:

- \$3,250 to Lasqueti Island Nature Conservancy for a property appraisal associated with a proposed acquisition.
- **Gulf Islands Conservation Convention & Land Trust Alliance of B.C. Seminar Series**
Islands Trust Fund staff participated in a Gulf Islands Conservation Convention held on Mayne Island and Islands Trust Fund staff and board members participated in the Land Trust Alliance of B.C. Seminar Series in Victoria in 2016.



- **Coastal Douglas-fir and Associated Ecosystems Conservation Partnership**

The Islands Trust Fund Ecosystem Protection Specialist sits on the Steering Committee for the Coastal Douglas-fir and Associated Ecosystems Conservation Partnership (CDFCP). In 2016–2017, the Islands Trust Fund assisted the CDFCP to secure funding from the Real Estate Foundation of British Columbia to do outreach with local governments and professional associations and to pilot a joint project with the Gambier Island Local Trust Committee (GILTC) to evaluate whether CDFCP mapping can be integrated into the GILTC Official Community Plan. The project was initiated in 2016–2017 and will conclude in 2017–2018.

- **Conservation Tax Incentive Project**

Islands Trust Fund staff have been working with both the Land Trust Alliance of B.C. and the Species and Ecosystems at Risk Local Government Working Group to explore the feasibility of expanding a NAPTEP-like conservation tax incentive program to the rest of the province.

Goal 7: Take Care of What We Have

Acquiring a property or signing a conservation covenant is just the first step in ecosystem protection. The Islands Trust Fund monitors and manages its core conservation areas to maintain and enhance existing biodiversity features and support ecosystem functionality.

Property Monitoring and Management

The Islands Trust Fund monitors and manages its nature reserves according to management plans that identify long-term conservation, as well as restoration goals. In 2016–2017, the Islands Trust Fund undertook the following property management projects, many in partnership with island conservancy partners:

- Developed a ten-year Property Management Strategy for the Islands Trust Fund.
- Monitored all places protected by the Islands Trust Fund to ensure compliance.
- Developed a management plan for Burren Acres Nature Reserve (Gabriola) and revised the management plans for Cyril Cunningham Nature Reserve (Salt Spring) and Kwel Nature Reserve (Lasqueti).
- Removed exotic and invasive species from Morrison Marsh Nature Reserve, Inner Island Nature Reserve and Lindsay Dickson Nature Reserve (Denman), Trincomali Nature Sanctuary (Galiano) and McFadden Creek Nature Sanctuary (Salt Spring).
- Removed garbage from Horton Bayviary Nature Reserve (Mayne), Kwel Nature Reserve (Lasqueti) and Medicine Beach Nature Sanctuary (North Pender).
- Updated and installed enforcement and interpretive signs and maintained trails and driveway at Elder Cedar Nature Reserve (Gabriola).
- Surveyed for species at risk at McFadden Creek Nature Sanctuary (Salt Spring) and on two Thetis Island properties. Species at risk surveys started on all three Lasqueti Nature Reserves (Mt. Trematon, John Osland and Kwel Nature Reserves) ongoing for a two-year project targeting the following: rigid apple moss, western toads, red-legged frogs, sharp-tailed snakes, western screech-owls and little brown bats.
- Continued restoration with an additional 98 native species planted, mulched and protected from deer browse by installing fencing

around the restoration area at Trincomali Nature Sanctuary (Galiano).

- Continued restoration of Long Bay Wetland Nature Reserve and into Brigade Bay Bluffs Nature Reserve (Gambier), planting seedlings and protecting natural seedlings.
- Planted 50 seedlings of western red cedar and western hemlock as well as some sword fern at David Otter Nature Reserve (Bowen).
- Continued sharp-tailed snake and cormorant nest monitoring program at Trincomali Nature Sanctuary (Galiano).
- Monitored planting projects at Lindsay Dickson Nature Reserve (Denman), Mt Trematon Nature Reserve (Lasqueti), Trincomali Nature Sanctuary (Galiano) and Long Bay Wetland Nature Reserve (Gambier).
- Maintained hooded merganser nest boxes at John Osland Nature Reserve (Lasqueti) and installed western screech-owl boxes at Kwel Nature Reserve (Lasqueti).
- Installed interpretive panels at Medicine Beach Nature Sanctuary (North Pender).



Financial Statements of

THE ISLANDS TRUST FUND

Year ended March 31, 2017



KPMG LLP
St. Andrew's Square II
800-730 View Street
Victoria BC V8W 3Y7
Canada
Telephone 250-480-3500
Fax 250-480-3539

INDEPENDENT AUDITORS' REPORT

To the Trustees of the Islands Trust Fund Board, the Trustees of the Islands Trust Council and the Minister of Community, Sport and Cultural Development

We have audited the accompanying financial statements of The Islands Trust Fund, which comprise the statement of financial position as at March 31, 2017, the statements of operations, changes in fund balances and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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



We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

In common with many charitable organizations, The Islands Trust Fund derives revenue from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of The Islands Trust Fund. Therefore, we were not able to determine whether as at March 31, 2017 and for the years ended March 31, 2017 and March 31, 2016, any adjustments might be necessary to revenue and excess of revenue over expenses reported in the statement of operations, statement of cash flows, statement of changes in fund balances and assets and fund balances reported in the statement of financial position as at March 31, 2017. This caused us to qualify our audit opinion on the financial statements as at and for the year ended March 31, 2016.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of The Islands Trust Fund as at March 31, 2017, its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Professional Accountants

July 18, 2017
Victoria, Canada

THE ISLANDS TRUST FUND

Statement of Financial Position

March 31, 2017, with comparative information for 2016

	Opportunity Fund	Restricted Fund	Capital Fund	Endowment Fund	2017 Total	2016 Total
Assets:						
Current assets:						
Cash	\$ 34,144	\$ 215,212	\$ -	\$ -	\$ 249,356	\$ 360,330
Short-term investments (note 2)	-	165,452	-	88,000	253,452	239,785
Accounts receivable	-	-	-	27,300	27,300	-
Inventory of fundraising items	1,342	-	-	-	1,342	1,612
	35,486	380,664	-	115,300	531,450	601,727
Investments (note 3)	-	64,870	-	-	64,870	63,257
Land (notes 4 and 6)	-	-	7,073,903	6,176,601	13,250,504	12,470,504
	\$ 35,486	\$ 445,534	\$ 7,073,903	\$ 6,291,901	\$ 13,846,824	\$ 13,135,488
Liabilities:						
Current liabilities:						
Property tax payable	\$ -	\$ 498	\$ -	\$ -	\$ 498	\$ -
Due to Islands Trust	2,995	(74)	-	-	2,921	-
Deferred revenue	541	-	-	-	541	-
	3,536	424	-	-	3,960	-
Fund Balances:						
Unrestricted	31,950	-	-	-	31,950	36,113
Investment in land (note 4)	-	-	7,073,903	-	7,073,903	7,073,903
Internally restricted (note 5)	-	24,327	-	-	24,327	24,320
Externally restricted (note 5)	-	420,783	-	-	420,783	516,551
Restricted for endowment purposes (note 6)	-	-	-	6,291,901	6,291,901	5,484,601
	31,950	445,110	7,073,903	6,291,901	13,842,864	13,135,488
	\$ 35,486	\$ 445,534	\$ 7,073,903	\$ 6,291,901	\$ 13,846,824	\$ 13,135,488

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

Approved by the Trust Fund Board:



Board member



Board member

THE ISLANDS TRUST FUND

Statement of Operations

Year ended March 31, 2017, with comparative information for 2016

	Opportunity Fund	Restricted Fund	Capital Fund	Endowment Fund	2017 Total	2016 Total
Revenue:						
Donations:						
Cash	\$ 2,480	\$ 258,244	-	-	\$ 260,724	\$ 114,647
Land	-	-	-	156,000	156,000	-
Grants	2,959	5,412	-	273,000	281,371	5,053
Rental income	-	10,200	-	-	10,200	10,200
Investment income (loss)	21	16,068	-	-	16,089	(3,407)
Sale of fundraising items	133	-	-	-	133	150
	5,593	289,924	-	429,000	724,517	126,643
Expenses:						
Repairs and maintenance - Alton property	-	1,181	-	-	1,181	11,286
Cost of sales of fundraising items	270	-	-	-	270	173
Bank charges	31	204	-	-	235	149
Donations to conservancy groups	6,460	-	-	-	6,460	-
Consultant fees	2,995	6,000	-	-	8,995	8,400
	9,756	7,385	-	-	17,141	20,008
Excess (deficiency) of revenue over expenses	\$ (4,163)	\$ 282,539	\$ -	\$ 429,000	\$ 707,376	\$ 106,635

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

THE ISLANDS TRUST FUND

Statement of Changes in Fund Balances

Year ended March 31, 2017, with comparative information for 2016

	Opportunity Fund	Restricted Fund	Capital Fund	Endowment Fund	Total
Fund balances, March 31, 2015	\$ 33,295	\$ 437,054	\$ 7,073,903	\$ 5,484,601	\$ 13,028,853
Excess of revenue over expenses	2,818	103,817	-	-	106,635
Fund balances, March 31, 2016	36,113	540,871	7,073,903	5,484,601	13,135,488
Excess of revenue over expenses	(4,163)	282,539	-	429,000	707,376
Interfund transfer	-	(378,300)	-	378,300	-
Fund balances, March 31, 2017	\$ 31,950	\$ 445,110	\$ 7,073,903	\$ 6,291,901	\$ 13,842,864

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

THE ISLANDS TRUST FUND

Statement of Cash Flows

Year ended March 31, 2017, with comparative information for 2016

	2017	2016
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 707,376	\$ 106,635
Item not involving cash:		
Donation of land	(156,000)	-
Changes in non-cash operating working capital:		
Inventory of fundraising items	270	173
Accounts receivable	(27,300)	-
Accounts payable	-	(1,024)
Property tax payable	498	-
Due to Islands Trust	2,921	-
Deferred revenue	541	-
	528,306	105,784
Capital activities:		
Cash paid to acquire land	(624,000)	-
Investing activities:		
Increase (decrease) in short-term investments	(13,667)	6,868
Increase in long-term investments	(1,613)	(3,045)
	(15,280)	3,823
Increase (decrease) in cash	(110,974)	109,607
Cash, beginning of year	360,330	250,723
Cash, end of year	\$ 249,356	\$ 360,330

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

THE ISLANDS TRUST FUND

Notes to Financial Statements

Year ended March 31, 2017

The Islands Trust (the "Trust") is incorporated under The Islands Trust Act of British Columbia (as amended). 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 Islands Trust Fund (the "Trust Fund") is also incorporated under The Islands Trust Act of British Columbia and is empowered to accept donations, grants and bequests on behalf of the Trust and to hold land and other property in compliance with a Trust Fund plan approved by the Ministry of Community, Sport and Cultural Development.

The Trust Fund is administered by the Trust and for financial reporting purposes, the Trust and the Trust Fund are reported on separately. The Trust Fund'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 Fund.

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 Fund 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 Fund's capital assets.

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

(b) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Derivative instruments and equity instruments that are quoted in an active market are reported at fair value. All other financial instruments are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value. Management has elected to record all investments at fair value as they are managed and evaluated on a fair value basis.

Unrealized changes in fair value are recognized in the statement of remeasurement gains and losses until they are realized, when they are transferred to the statement of operations.

THE ISLANDS TRUST FUND

Notes to Financial Statements

Year ended March 31, 2017

1. Significant accounting policies (continued):

(b) Financial instruments (continued):

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

All financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the statement of operations and any unrealized gain is adjusted through the statement of remeasurement gains and losses. When the asset is sold, the unrealized gains and losses previously recognized in the statement of remeasurement gains and losses are reversed and recognized in the statement of operations. During the years presented, there are no unrealized gains and losses, and as a result, no statement of remeasurement gains and losses has been included in these financial statements. All investments held by the Trust Fund are classified as Level 2 investments for fair value measurement and there were no changes in classification in the years presented.

(c) Land:

Purchased land is recorded at cost. Contributed land is recorded at estimated fair value at the date of contribution.

(d) Revenue recognition:

Restricted contributions are recorded as revenue of the appropriate restricted fund when received or receivable, if the amount can be reasonably estimated and collection is reasonably assured.

Unrestricted contributions are recorded as revenue of the Opportunity Fund in the year received or receivable if the amount can be reasonably estimated and collection is reasonably assured.

Contributions for endowment are recorded as revenue in the Endowment Fund balance.

Interest income earned on Endowment Fund resources is restricted for the purpose of maintaining certain specified property and is recorded in the Restricted Fund. Interest income of internally restricted funds is recorded as revenue of the Restricted Fund. Other interest income is recorded as revenue of the Opportunity Fund when earned.

All other forms of income are recorded as revenue of the Opportunity Fund when received or receivable.

THE ISLANDS TRUST FUND

Notes to Financial Statements

Year ended March 31, 2017

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

2. Short-term investments:

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

3. Investments:

Investments consist of a guaranteed investment certificate that matures on April 16, 2019. It has an interest rate of 2.55%.

THE ISLANDS TRUST FUND

Notes to Financial Statements

Year ended March 31, 2017

4. Land:

	Acquisition date	2017	2016
Inner Island Nature Reserve, Denman Island	1992	\$ 70,000	\$ 70,000
Coats Millstone Reserve, Gabriola Island	1994	100,000	100,000
Medicine Beach Nature Sanctuary, North Pender Island	1996	477,000	477,000
Cunningham Reserve, Salt Spring Island	1994	265,000	265,000
Deep Ridge 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
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
		\$ 7,073,903	\$ 7,073,903

5. Restricted Fund balances:

	2017	2016
Internally restricted:		
McFadden Creek management fund	\$ 24,327	\$ 24,320
Externally restricted:		
Alton Nature Reserve - maintenance fund	102,043	76,394
Morrison Fund	20,062	20,057
Covenant Defense Fund	103,824	100,197
Lasqueti Acquisition Fund	33,344	32,533
Gambier Acquisition Fund	116,891	115,173
Thetis Island Acquisition Fund	44,619	172,197
	420,783	516,551
	\$ 445,110	\$ 540,871

THE ISLANDS TRUST FUND

Notes to Financial Statements

Year ended March 31, 2017

6. Restricted for endowment purposes:

	Acquisition date	2017	2016
Land:			
Lindsay Dickson Nature Reserve, Denman Island	2001	\$ 2,200,000	\$ 2,200,000
Alton Nature Reserve, Salt Spring Island	2002	454,000	454,000
McFadden Creek Nature Sanctuary, Salt Spring Island	2015	422,601	422,601
Properties acquired under the Federal Government Ecological Gifts program:			
Mt. Trematon Nature Reserve, Lasqueti Island	2006	320,000	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, 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	-
		\$ 6,176,601	\$ 5,396,601

Investment gains (losses) on endowment funds for the year of \$12,306 (2016 - (\$6,966)) have been recorded in the Restricted Fund.

Two properties owned by the Trust Fund, the Lindsay Dickson property on Denman Island, and the Alton property on Salt Spring Island, were donated on the condition that the properties be used and managed in certain ways. The Lindsay Dickson property was donated "for so long as the land is used as a nature reserve for the use, benefit and enjoyment of the residents of B.C.". The Alton property is to be held, managed and preserved for its ecological environment and scenic features and not as a recreational park. The residence, gardens and driveway are to be preserved and managed for non-profit purposes.

In the event that these properties are not managed accordingly, the properties could revert to the Province of British Columbia in the case of the Lindsay Dickson Nature Reserve and to the Executors of the donor's estate in the case of the Alton Nature Reserve.

In 2015, the McFadden Creek Nature Sanctuary on Salt Spring Island was donated to the Trust Fund 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.

Certain properties as listed in the preceding table were acquired under the Federal Government Ecological Gift program. Recipients of ecological gifts are responsible for maintaining the biodiversity and environmental heritage values of the property in perpetuity.

THE ISLANDS TRUST FUND

Notes to Financial Statements

Year ended March 31, 2017

7. Interfund transfer:

During the year, there were interfund transfers of \$378,300 (2016 - nil) from the Restricted Fund to the Endowment Fund, representing cash paid to acquire the Moore Hill Nature Reserve on Thetis Island.

8. Related party:

The Trust is related to the Trust Fund through the composition of the Trust Fund's Board. The Trust Fund's Board is comprised of three members from the Trust's Council and up to three members appointed by the Minister of Community, Sport and Cultural Development.

The Trust Fund'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:

	2017	2016
Operations	\$ 495,775	\$ 432,813
Board	15,566	15,155
Administration	154,286	156,306
	<u>\$ 665,627</u>	<u>\$ 604,274</u>

For the year ended March 31, 2017, amounts payable to Islands Trust were \$2,921 (2016 - nil).

9. Financial risks and concentration of risk:

The Trust Fund's financial instruments consist of cash, short-term investments, accounts receivable, investments, property tax payable and due to Islands Trust. It is management's opinion that the Trust Fund is not exposed to significant interest, currency or credit risk arising from these financial instruments. The maximum exposure to credit risk at March 31, 2017 is the carrying value of cash, accounts receivable, short-term investments and investments. The Trust Fund deals with creditworthy counterparties to mitigate credit risk. The Trust Fund 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.

THE ISLANDS TRUST FUND

Statement of Financial Position

March 31, 2016

Schedule 1

	Opportunity Fund	Restricted Fund	Capital Fund	Endowment Fund	2016 Total
Assets:					
Current assets:					
Cash	\$ 34,501	\$ 325,829	\$ -	\$ -	\$ 360,330
Short-term investments	-	151,785	-	88,000	239,785
Inventory of fundraising items	1,612	-	-	-	1,612
	36,113	477,614	-	88,000	601,727
Investments (note 3)	-	63,257	-	-	63,257
Land (notes 4 and 6)	-	-	7,073,903	5,396,601	12,470,504
	\$ 36,113	\$ 540,871	\$ 7,073,903	\$ 5,484,601	\$ 13,135,488
Liabilities					
Current liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Fund Balances					
Unrestricted	36,113	-	-	-	36,113
Investment in land (note 4)	-	-	7,073,903	-	7,073,903
Internally restricted (note 5)	-	24,320	-	-	24,320
Externally restricted (note 5)	-	516,551	-	-	516,551
Restricted for endowment purposes (note 6)	-	-	-	5,484,601	5,484,601
	36,113	540,871	7,073,903	5,484,601	13,135,488
	\$ 36,113	\$ 540,871	\$ 7,073,903	\$ 5,484,601	\$ 13,135,488

THE ISLANDS TRUST FUND

Statement of Operations

Year ended March 31, 2016

Schedule 2

	Opportunity Fund	Restricted Fund	Capital Fund	Endowment Fund	2016 Total
Revenue:					
Donations:					
Cash	\$ 2,895	\$ 111,752	\$ -	\$ -	\$ 114,647
Land	-	-	-	-	-
Grants	-	5,053	-	-	5,053
Rental income	-	10,200	-	-	10,200
Investment income	23	(3,430)	-	-	(3,407)
Sale of fundraising items	150	-	-	-	150
	3,068	123,575	-	-	126,643
Expenses:					
Repairs and maintenance - Alton property	-	11,286	-	-	11,286
Cost of sales of fundraising items	173	-	-	-	173
Bank charges	77	72	-	-	149
Donations to conservancy groups	-	-	-	-	-
Consultant fees	-	8,400	-	-	8,400
	250	19,758	-	-	20,008
Excess of revenue over expenses	\$ 2,818	\$ 103,817	\$ -	\$ -	\$ 106,635

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ISLANDS TRUST FUND



Islands Trust