



Islands Trust Fund
Annual Report
2017–2018



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

Message from the Islands Trust Fund Board Chair

On January 30, 2018, the Trust Fund Board approved a new ten-year (2018–2027) Regional Conservation Plan to guide the work of the Islands Trust Fund to protect fragile ecosystems in the islands in the Salish Sea. While many special places have been protected in the past 28 years of the Islands Trust Fund’s history, there is still more work to do. Sensitive ecosystems account for 40 per cent of the Trust Area land base, but only 21 per cent of those ecosystems are protected. These islands provide habitat for hundreds of species of concern. That is why the Islands Trust Fund relies on the Regional Conservation Plan – a science-based and community informed plan – to focus our efforts and resources on what’s most urgently in need of protection.

As we approached the end of the 2011–2017 Regional Conservation Plan, we reached out to experts, partners, the public, and First Nations with interests in the land and waters in the Islands Trust Area to ask for their input on the direction of a new plan. In the process of drafting the new ten-year Regional Conservation Plan, we examined our past successes and reviewed lessons learned to identify new high-level goals to guide our work. We learned how much our partners value our collaborative, science-based approach.

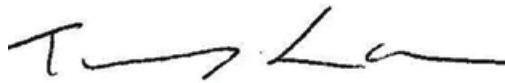
Just as species and the ecosystems of the islands in the Salish Sea are interdependent, so is the process of land conservation in the Islands Trust Area. Local conservancies and island groups are often the driving force behind fundraising campaigns, a lesson that was emphasized in the previous Regional Conservation Plan. We are proud and humbled by the passion and dedication islanders and our partners have for the beautiful islands in the Salish Sea and their desire to see the special properties on these lands endure into the future. This support truly enables us to do what we do.

The 2011–2017 Regional Conservation Plan set an objective to protect 500 hectares of priority conservation areas. Through strong partnerships, 491 hectares of priority lands were protected by or with the assistance of the Islands Trust Fund. A highlight is the recent creation

of two new nature reserves on Thetis Island, including Fairyslipper Forest — Thetis Island’s first and only publicly accessible nature reserve. In addition, two recently finalized strategies regarding land securement and property management will help us prioritize and focus our resources on protecting and managing the most at risk and highest value ecosystems.

Over the duration of the last Regional Conservation Plan we completed eelgrass mapping for the entire Islands Trust Area as well as forage fish suitable habitat mapping for most of the region. This information was shared with multiple agencies including First Nations, industry, government, and non-profits for use in oil spill planning, evaluation of applications affecting shorelines, marine protected area planning, and more — all contributing to better protection for marine and shoreline habitat in the region.

With the continued support of our partners, islanders, and other agencies working in concert for ecosystem protection, we look forward to the next ten years of science-based decision making to continue to deliver excellent service to ensure the protection of nature for future generations.



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)

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

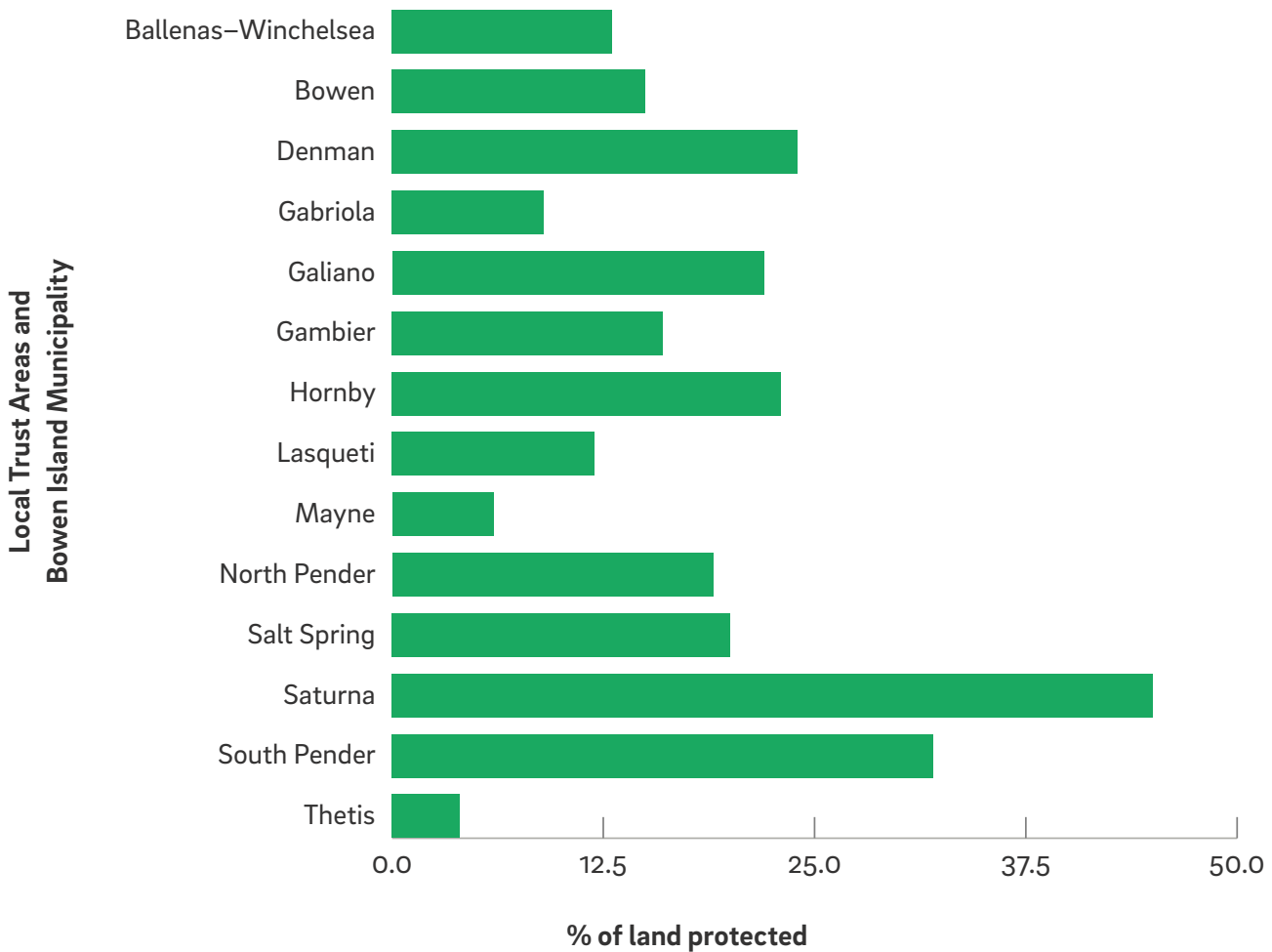
Robin Williams, Salt Spring Island
(Appointed Member, 2017–2019)



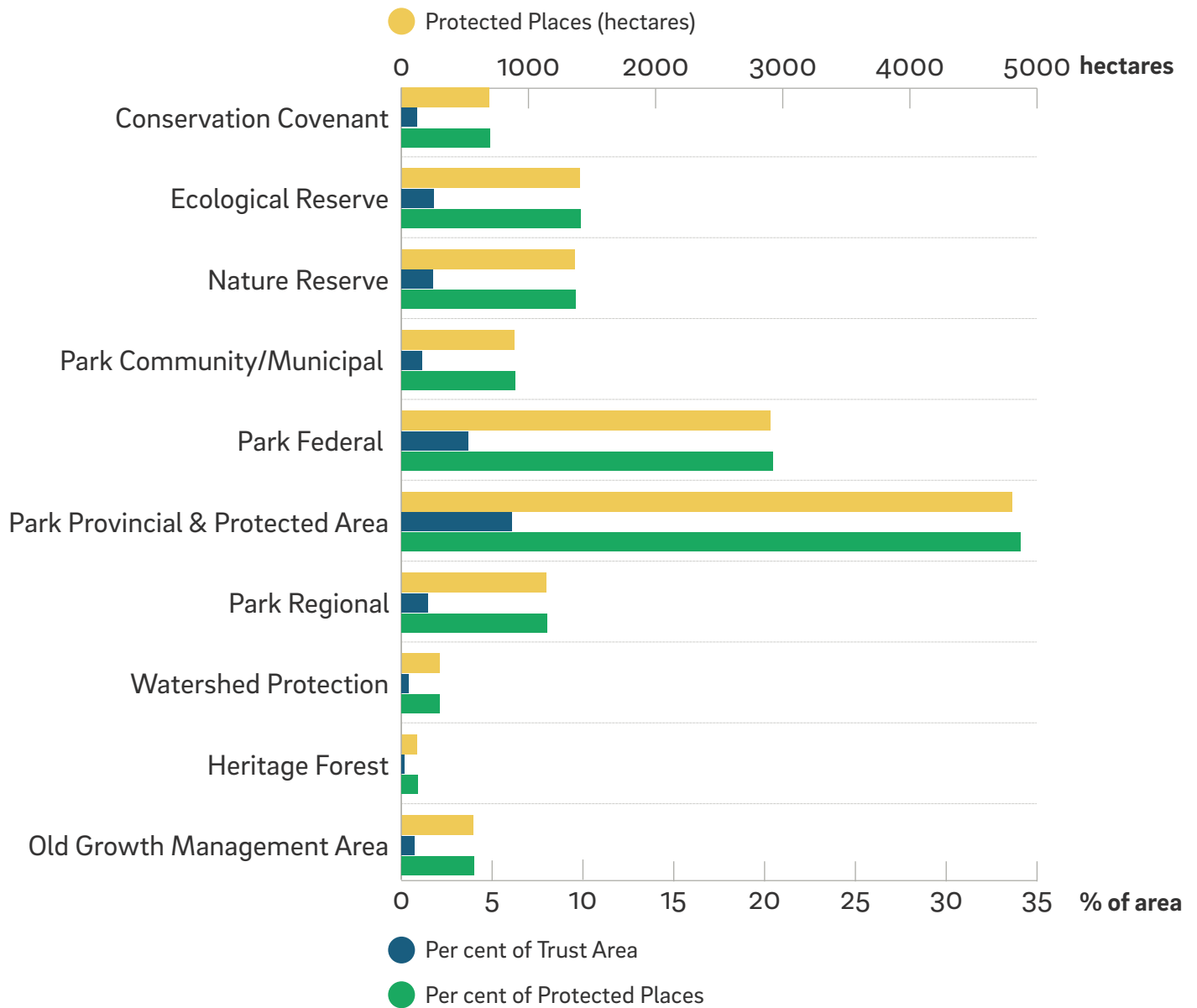
Protected Places in the Islands Trust Area

As of March 2018, the Trust Fund Board reached an important milestone, protecting over 1,270 hectares of natural and cultural values on 103 properties. By the same date, public and non-profit conservation organizations (including the Islands Trust Fund) had protected 14,177.78 hectares (17.93 per cent) of the Islands Trust Area.

Protected Places in Each Local Trust Area and Island Municipality as of March 31, 2018



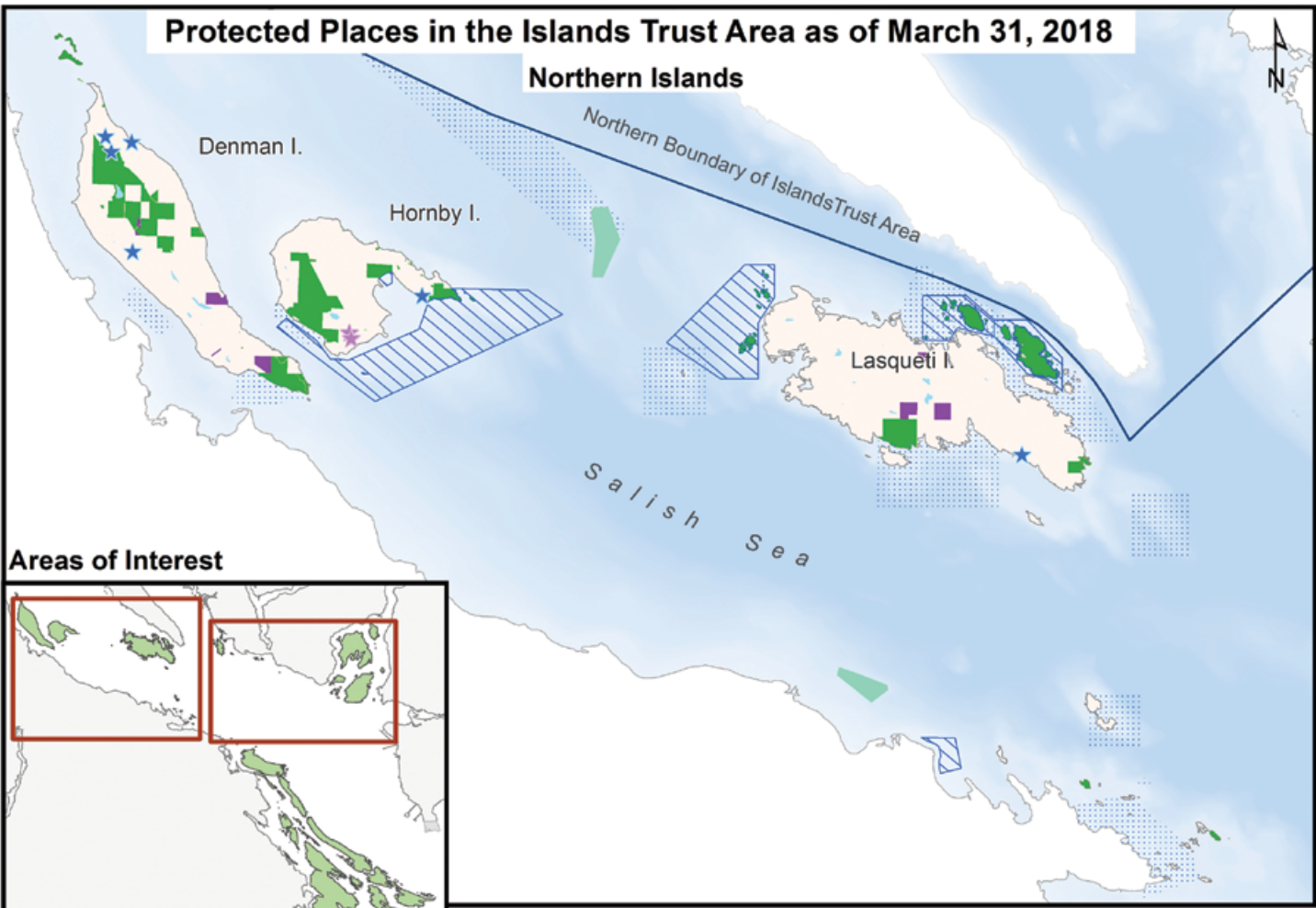
Types of Protected Places in the Islands Trust Area



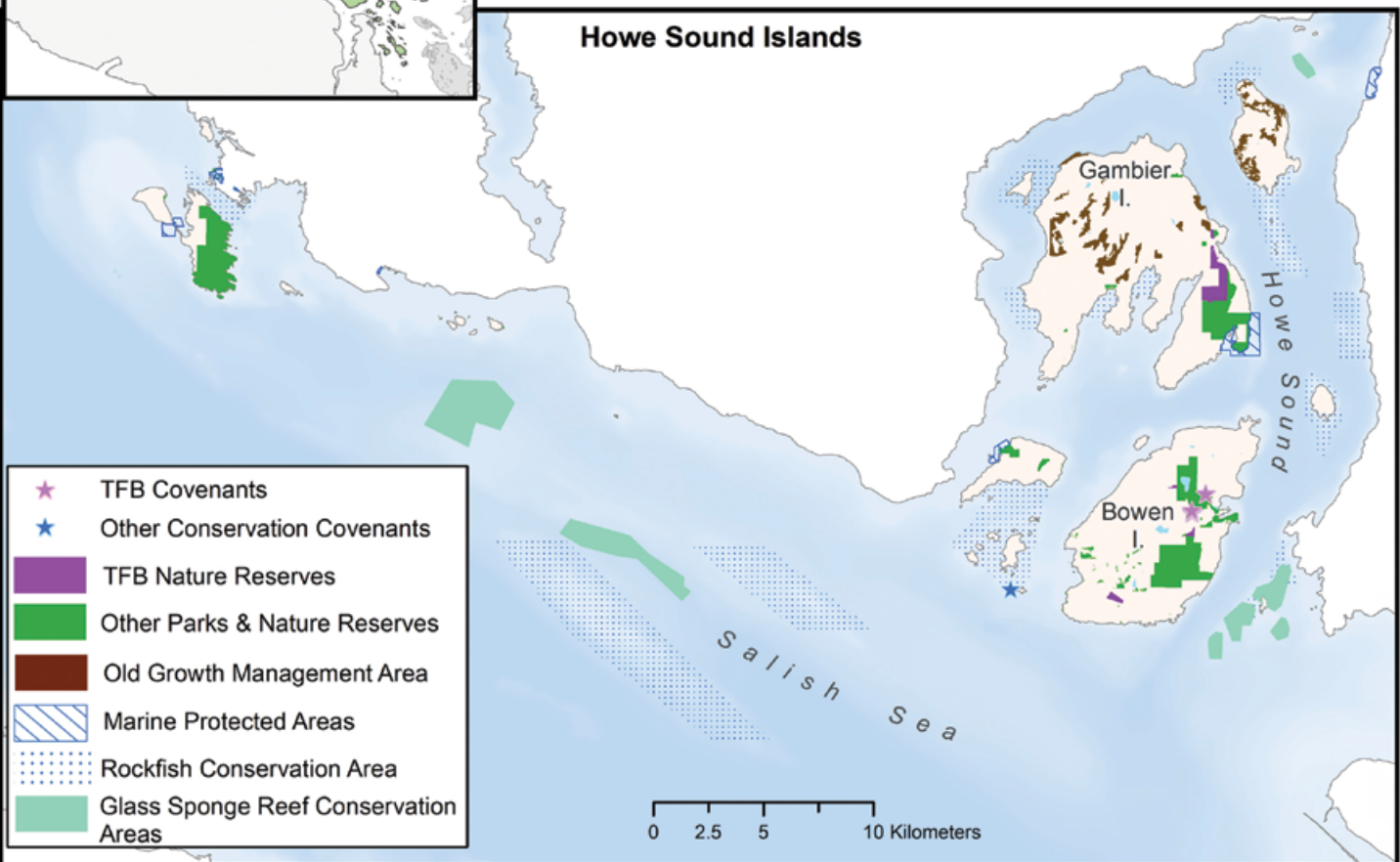


Protected Places in the Islands Trust Area as of March 31, 2018

Northern Islands



Howe Sound Islands

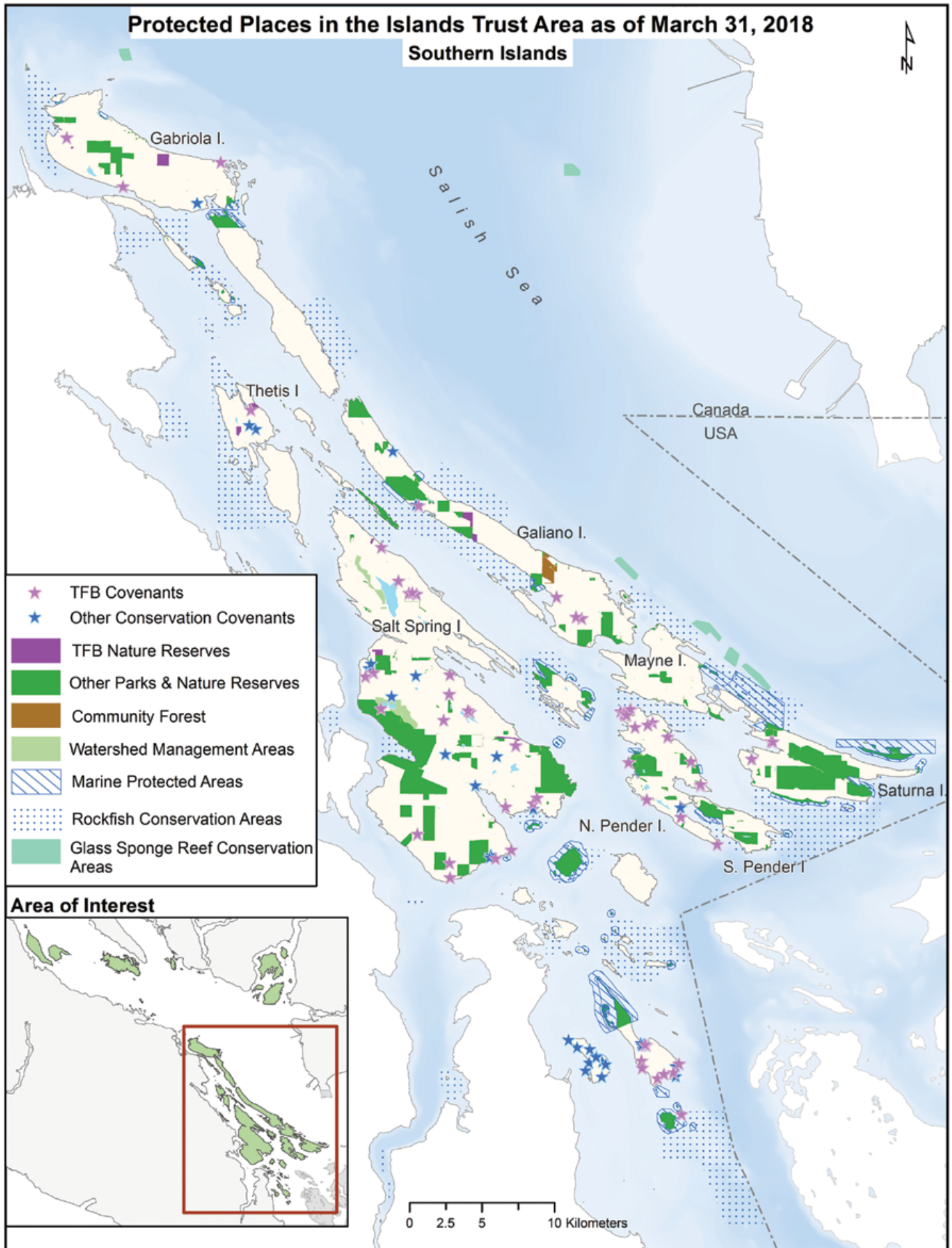


- ★ TFB Covenants
- ★ Other Conservation Covenants
- TFB Nature Reserves
- Other Parks & Nature Reserves
- Old Growth Management Area
- ▨ Marine Protected Areas
- ⋯ Rockfish Conservation Area
- Glass Sponge Reef Conservation Areas

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Protected Places in the Islands Trust Area as of March 31, 2018

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 spent 2017 seeking feedback from experts, partners, the public and 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.

On January 30, 2018, the Trust Fund Board approved its new ten-year, 2018–2027 Regional Conservation Plan to guide the work of the Islands Trust Fund to protect ecosystems in the islands in the Salish Sea. Over the course of the 2018–2027 Regional Conservation Plan, the Trust Fund Board will reassess the priorities and goals to continue to move towards effective protection of the natural landscape of the islands.

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 2017–2018:

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 2011–2017 Regional Conservation Plan, conservation agencies have cumulatively protected 1,335 hectares of habitat in the Islands Trust Area, 1,066 hectares of which were mapped as having high conservation value by the Islands Trust Fund. The Islands Trust Fund contributed 189 hectares of that figure, 157 hectares of which were mapped as having high conservation value.



1,335 hectares of habitat protected by conservation agencies since 2011

2017–2018 Conservation Covenants

Covenants are the best conservation tool currently available to permanently protect natural features on private property while allowing landholders to retain ownership of their land. The Islands Trust Fund also offers Islands Trust Area landholders the Natural Area Protection Tax Exemption Program (NAPTEP), a covenant program that provides landholders with an annual 65% property tax reduction on portions of their land protected by a conservation covenant. NAPTEP is available throughout the Islands Trust Area.

- **Settlement Lands Covenant (64 hectares), Denman Island**

The Settlement Lands Covenant protects 64 hectares (157 acres) of regenerating forest, including remnant old-growth Douglas-firs, marshy wetlands and breeding habitat for the federally endangered Taylor’s Checkerspot butterfly. The location of these lands provides important habitat connectivity between already conserved lands, including the Denman Island Provincial Park, the Islands Trust Fund’s Inner Island Nature Reserve and the Denman Conservancy Association’s Winter Wren Wood. The Denman Conservancy Association acquired the Settlement Lands in 2006 as part of the settlement in a legal case. In 2015, the Conservancy asked the Islands Trust Fund to hold a conservation covenant on the Settlement Lands, adding a second layer of permanent protection for the property. The Trust Fund Board registered the covenant in September 2017.



2017–2018 Land Acquisitions

The Islands Trust Fund acquires land to be protected and managed as nature reserves.

- **Fairyslipper Forest Nature Reserve (16.6 hectares), Thetis Island**
Fairyslipper Forest is the first publicly accessible protected area on Thetis Island and is named after the fairyslipper orchid that dots the forest floor with its pink blossoms every spring. The 16-hectare (40 acre) reserve on lower Burchell Hill is home to several species at risk, including the red-legged frog. Fairyslipper Forest also has significant watershed values and contains sensitive Douglas-fir and arbutus woodland which is considered to be endangered or threatened in British Columbia. By protecting the property as a nature reserve, Fairyslipper Forest will mature into an old growth forest. Community members and visitors will enjoy the property's hiking trail, local students will benefit from using the land as an outdoor classroom and habitat will be maintained for species at risk.

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 currently maintains acquisition funds for Lasqueti Island, Gambier Island, and Thetis Island.

Mapping and Data Analysis

Mapping and data analysis help the Trust Fund Board implement and accentuate Regional Conservation Plan goals and objectives. Over the past year, the Trust Fund Board updated Terrestrial Ecosystem Mapping and refined terrestrial ecosystem data to include sand ecosystems to improve identification of sensitive shorelines. The Conservation Priority Area data model was also updated with new data.

Goal 2: Protect Biodiversity in Working Landscapes

In 2017–2018, the Trust Fund Board Chair attended an Agricultural Land Commission (ALC) review committee meeting. The Trust Fund Board Chair provided information on the Islands Trust Fund, and informed attendees that the Trust Fund Board would like to work in partnership with the ALC on protecting conservation priorities, noting that the ALC and Trust Fund Board both have a provincial mandate. The Trust Fund Board Chair followed up by submitting a letter to the ALC.

Goal 3: Conserve Marine Ecosystems

The Islands Trust Fund works with partner organizations to conserve marine ecosystems and nearshore habitats. The Islands Trust Fund also maintains and updates mapping of eelgrass and forage fish habitat, and marine protected area data from partner agencies including marine parks, Rockfish Conservation Areas and Glass Sponge Reef Fishing Closure Areas. Marine data and mapping is shared with our partners on request.



Goal 4: Encourage Local Governments to Prioritize Biodiversity

The Islands Trust Fund strives to work with the 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 2017–2018, 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 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’s Official Community Plan review. The Islands Trust Fund also played a key role in obtaining new data for use by Local Planning Services 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 land disturbance data for the period between 2004 and 2014.

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 2017–2018, 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, real estate offices, and various other offices and businesses throughout the islands.



Island Outreach

Islands Trust Fund staff and Trust Fund Board members hosted an information booth and interpretive eelgrass display at the busy Hornby Island Fall Fair. Staff and board members reached over 250 people, educating children, locals, and visitors about the role of eelgrass beds as nature's nurseries and the opportunity for NAPTEP covenants to protect sensitive island ecosystems.

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**

Initiated in 2014, the Islands Trust Fund partnered with the Thetis Island Nature Conservancy and Cowichan Community Land Trust on a three-year fundraising campaign to purchase and protect Fairyslipper Forest, on Lower Burchell Hill, Thetis Island. The campaign was completed in January 2018. Island Trust Fund staff and Trust Fund Board members hosted a board to board celebration event in February 2018 to thank all the partners involved in the successful acquisition.

- **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 2017–2018, the Opportunity Fund received \$5,131.47 in donations, grants and calendar sales. The Trust Fund Board distributed the following Opportunity Fund grant: \$5,000 to Mayne Island Conservancy Society for an ecological assessment and legal fees associated with the acquisition of St. John Point.

- **National Land Summit**

Islands Trust Fund staff and board members participated in the National Land Summit hosted by the Land Trust Alliance of B.C. and Land Trusts Canada in Victoria in 2017. Islands Trust Fund staff presented a session on Conservation Planning.



\$5k

*distributed
to projects
to protect
biodiversity
in the Trust
Area.*



THETIS ISLAND NATURE CONSERVANCY

- **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 2017–2018, the Islands Trust Fund worked with the CDFCP to conclude its joint pilot project with the Gambier Island Local Trust Committee (GM LTC) to evaluate whether CDFCP mapping can be integrated into the GM LTC Official Community Plan. The GM LTC is considering the use of the mapping. The CDFCP is also working on a resource for land use planners and decision makers that outlines land use planning tools that can protect Coastal Douglas-fir and associated ecosystems. This project will inform future work of the Local Planning Committee on land use planning resources for Coastal Douglas-fir conservation in the Islands Trust Area.

- **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 of B.C.

- **Regional Conservation Plan Development Workshops**

In May 2017, Islands Trust Fund staff hosted two workshops for partners with interest in the Islands Trust Area to provide an opportunity to provide feedback and input into the development of the new ten-year 2018–2027 Regional Conservation Plan. The workshops were attended with representation from: four Regional Districts; nineteen local, regional, provincial and national land trusts; six First Nations with interests in the lands and waters of the Islands Trust Area; American Friends of Canadian Land Trusts; and the Coastal Douglas-fir and Associated Ecosystems Conservation Partnership.

- **Trust Fund Board Retreat**

In October 2017, the Trust Fund Board participated in a full-day retreat to determine Trust Fund Board priorities and opportunities. The day included round table discussions and a facilitated session with a fundraising specialist.

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 2017–2018 the Islands Trust Fund undertook many property management projects in partnership with island conservancy partners, including:

- Monitored all properties protected by the Trust Fund Board to ensure compliance
- Revised a management plan for Singing Woods Nature Reserve (Bowen)
- Initiated revision of management plans for Morrison Marsh Nature Reserve (Denman) and Medicine Beach Nature Sanctuary (North Pender Island) by surveying for species at risk, updating ecological inventories and undertaking public engagement through a survey and two open houses
- Removed exotic and invasive species from nature reserves on Denman, Galiano, and Salt Spring Islands
- Designed and constructed a cedar boardwalk around the large western red cedar tree and maintained trails at Elder Cedar Nature Reserve (Gabriola)
- 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 and Brigade Bay Nature Reserves (Gambier)
- Planted and fenced riparian areas at the edge of the wetland on John Osland Nature Reserve (Lasqueti)

Appendix A

Islands Trust Fund Financial Statements

Financial Statements of

THE ISLANDS TRUST FUND

Year ended March 31, 2018

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The accompanying financial statements of Islands Trust (the "Trust") are the responsibility of the Trust's management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting standards for local governments as established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. A summary of the significant accounting policies are described in note 1 to the financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The Trust's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the financial statements. These systems are monitored and evaluated by management.

The Trust, acting through its Audit Committee, meets with management and the external auditors to review the financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the financial statements.

The financial statements have been audited by KPMG LLP, independent external auditors appointed by Trust Council. The accompanying Independent Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Trust's financial statements.



*Chief Administrative Officer
Services*



Director of Administration



KPMG LLP
St. Andrew's Square II
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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 Municipal Affairs and Housing

We have audited the accompanying financial statements of The Islands Trust Fund, which comprise the statement of financial position as at March 31, 2018, 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, 2018 and for the years ended March 31, 2018 and March 31, 2017, 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, 2018. This caused us to qualify our audit opinion on the financial statements as at and for the year ended March 31, 2017.

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, 2018, 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', with a small upward tick at the end.

Chartered Professional Accountants

Victoria, Canada
July 17, 2018

THE ISLANDS TRUST FUND

Statement of Financial Position

March 31, 2018, with comparative information for 2017

	Opportunity Fund	Restricted Fund	Capital Fund	Endowment Fund	2018 Total	2017 Total
Assets:						
Current assets:						
Cash	\$ 29,214	\$ 184,597	\$ -	\$ -	\$ 213,811	\$ 249,356
Short-term investments (note 2)	-	164,772	-	88,000	252,772	253,452
Accounts receivable	-	-	-	-	-	27,300
Inventory of fundraising items	667	-	-	-	667	1,342
	29,881	349,369	-	88,000	467,250	531,450
Investments (note 3)	-	66,522	-	-	66,522	64,870
Land (notes 4 and 6)	-	-	7,624,169	6,176,601	13,800,770	13,250,504
	\$ 29,881	\$ 415,891	\$ 7,624,169	\$ 6,264,601	\$ 14,334,542	\$ 13,846,824
Liabilities:						
Current liabilities:						
Property tax payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 498
Due to Islands Trust	-	-	-	-	-	2,921
Deferred revenue	-	-	-	-	-	541
	-	-	-	-	-	3,960
Fund Balances:						
Unrestricted	29,881	-	-	-	29,881	31,950
Investment in land (note 4)	-	-	7,624,169	-	7,624,169	7,073,903
Internally restricted (note 5)	-	23,439	-	-	23,439	24,327
Externally restricted (note 5)	-	392,452	-	-	392,452	420,783
Restricted for endowment purposes (note 6)	-	-	-	6,264,601	6,264,601	6,291,901
	29,881	415,891	7,624,169	6,264,601	14,334,542	13,846,864
	\$ 29,881	\$ 415,891	\$ 7,624,169	\$ 6,264,601	\$ 14,334,542	\$ 13,846,824

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, 2018, with comparative information for 2017

	Opportunity Fund	Restricted Fund	Capital Fund	Endowment Fund	2018 Total	2017 Total
Revenue:						
Donations:						
Cash	\$ 3,475	\$ 466,755	\$ -	\$ -	\$ 470,230	\$ 260,724
Land	-	-	-	-	-	156,000
Grants	2,041	23,660	-	-	25,701	281,371
Rental income	-	10,200	-	-	10,200	10,200
Investment income	20	1,417	-	-	1,437	16,089
Sale of fundraising items	136	-	-	-	136	133
	5,672	502,032	-	-	507,704	724,517
Expenses:						
Repairs and maintenance - Alton property	-	1,962	-	-	1,962	1,181
Cost of sales of fundraising items	675	-	-	-	675	270
Bank charges	61	1,637	-	-	1,698	235
Donations to conservancy groups	5,000	-	-	-	5,000	6,460
Consultant fees	2,005	4,686	-	-	6,691	8,995
	7,741	8,285	-	-	16,026	17,141
Excess (deficiency) of revenue over expenses	\$ (2,069)	\$ 493,747	\$ -	\$ -	\$ 491,678	\$ 707,376

(Schedule 2)

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, 2018, with comparative information for 2017

	Opportunity Fund	Restricted Fund	Capital Fund	Endowment Fund	Total
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
Excess of revenue over expenses	(2,069)	493,747	-	-	491,678
Interfund transfer (note 7)	-	(522,966)	550,266	(27,300)	-
Fund balances, March 31, 2018	\$ 29,881	\$ 415,891	\$ 7,624,169	\$ 6,264,601	\$ 14,334,542

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

THE ISLANDS TRUST FUND

Statement of Cash Flows

Year ended March 31, 2018, with comparative information for 2017

	2018	2017
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 491,678	\$ 707,376
Item not involving cash:		
Donation of land	-	(156,000)
Changes in non-cash operating working capital:		
Inventory of fundraising items	675	270
Accounts receivable	27,300	(27,300)
Property tax payable	(498)	498
Due to Islands Trust	(2,921)	2,921
Deferred revenue	(541)	541
	515,693	528,306
Capital activities:		
Cash paid to acquire land	(550,266)	(624,000)
Investing activities:		
Increase (decrease) in short-term investments	680	(13,667)
(Decrease) in long-term investments	(1,652)	(1,613)
	(972)	(15,280)
(Decrease) in cash	(35,545)	(110,974)
Cash, beginning of year	249,356	360,330
Cash, end of year	\$ 213,811	\$ 249,356

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

THE ISLANDS TRUST FUND

Notes to Financial Statements

Year ended March 31, 2018

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 Municipal Affairs and Housing.

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.

On May 31, 2018, the Islands Trust Fund changed its legal name from Islands Trust Fund to Islands 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 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, 2018

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, 2018

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.

(g) Adoption of new accounting standards:

On April 1, 2017, the Trust adopted PS2200, *Related Party Disclosures*, PS 3420, *Inter-entity Transactions*, PS3210 *Assets*, PS3320 *Contingent Assets* and PS3380 *Contractual Rights*. There were no transitional adjustments recorded to accumulated surplus, annual surplus or disclosures as a result of adoption of the new standards.

2. Short-term investments:

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

3. Investments:

Investments consist of 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, 2018

4. Land:

	Acquisition date	2018	2017
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
Fairy Slipper Forest Nature Reserve, Thetis Island	2017	550,266	-
		<u>\$ 7,624,169</u>	<u>\$ 7,073,903</u>

5. Restricted Fund balances:

	2018	2017
Internally restricted:		
McFadden Creek management fund	\$ 23,439	\$ 24,327
Externally restricted:		
Alton Nature Reserve - maintenance fund	115,080	102,043
Morrison Fund	20,070	20,062
Covenant Defense Fund	105,534	103,824
Lasqueti Acquisition Fund	34,114	33,344
Gambier Acquisition Fund	116,368	116,891
Thetis Island Acquisition Fund	1,286	44,619
	<u>392,452</u>	<u>420,783</u>
	<u>\$ 415,891</u>	<u>\$ 445,110</u>

THE ISLANDS TRUST FUND

Notes to Financial Statements

Year ended March 31, 2018

6. Restricted for endowment purposes:

	Acquisition date	2018	2017
Short-term investments			
Alton Nature Reserve – maintenance	2002	\$ 88,000	\$ 88,000
Land:			
Lindsay Dickson Nature Reserve, Denman Island	2001	\$ 2,200,000	\$ 2,200,000
Alton Nature Reserve, Salt Spring Island	2002	454,000	454,000
McFadden Creek Nature Sanctuary, Salt Spring Island	2015	422,601	422,601
Properties acquired under the Federal Government Ecological Gifts program:			
Mt. Trematon Nature Reserve, Lasqueti Island	2006	320,000	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	780,000
		6,176,601	6,176,601
		\$ 6,264,601	\$ 6,264,601

Investment gains (losses) on endowment funds for the year of (\$157) (2017 - \$12,306) 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, 2018

7. Interfund transfer:

During the year, there were interfund transfers of \$550,266 (2017 - \$nil) from the Restricted Fund to the Capital Fund, representing cash paid to acquire the Fairy Slipper Forest Nature Reserve on Thetis Island, and \$27,300 from the Endowment Fund to the Restricted Fund representing grant monies received for the purchase of Moore Hill Nature Reserve in the previous fiscal period.

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 Municipal Affairs and Housing.

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:

	2018	2017
Operations and property management	\$ 515,807	\$ 459,775
Board	23,098	15,566
Administration	164,046	154,286
	<u>\$ 702,951</u>	<u>\$ 629,627</u>

For the year ended March 31, 2018, amounts payable to Islands Trust were \$nil (2017 - \$2,921).

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, 2018 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

Schedule 1

March 31, 2017

	Opportunity Fund	Restricted Fund	Capital Fund	Endowment Fund	2017 Total
Assets:					
Current assets:					
Cash	\$ 34,144	\$ 215,212	\$ -	\$ -	\$ 249,356
Short-term investments (note 2)	-	165,452	-	88,000	253,452
Accounts receivable	-	-	-	27,300	27,300
Inventory of fundraising items	1,342	-	-	-	1,342
	35,486	380,664		115,300	531,450
Investments (note 3)	-	64,870	-	-	64,870
Land (notes 4 and 6)	-	-	7,073,903	6,176,601	13,250,504
	\$ 35,486	\$ 445,534	\$ 7,073,903	\$ 6,291,901	\$ 13,846,824
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
Investment in land (note 4)	-	-	7,073,903	-	7,073,903
Internally restricted (note 5)	-	24,327	-	-	24,327
Externally restricted (note 5)	-	420,783	-	-	420,783
Restricted for endowment purposes (note 6)	-	-	-	6,291,901	6,291,901
	31,950	445,110	7,073,903	6,291,901	13,842,864
	\$ 35,486	\$ 445,534	\$ 7,073,903	\$ 6,291,901	\$ 13,846,824

THE ISLANDS TRUST FUND

Statement of Operations

Schedule 2

Year ended March 31, 2017

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

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ISLANDS TRUST FUND



Islands Trust



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