

Financial Statements of

THE BAHAMAS PROTECTED AREAS FUND

June 30, 2016

THE BAHAMAS PROTECTED AREAS FUND

Financial Statements

June 30, 2016

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
THE BAHAMAS PROTECTED AREAS FUND

We have audited the accompanying financial statements of The Bahamas Protected Areas Fund ("the Fund"), which comprise the statement of financial position as at June 30, 2016 and the statements of comprehensive income, changes in fund balances and cash flows from July 7, 2014 (date of establishment) to June 30, 2016, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting 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 International Standards on Auditing. 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 the auditors' 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, the auditors 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 audit opinion.

INDEPENDENT AUDITORS' REPORT (continued)

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of The Bahamas Protected Areas Fund as at June 30, 2016, and its financial performance and its cash flows for the period from July 7, 2014 (date of establishment) to June 30, 2016 in accordance with International Financial Reporting Standards.



CHARTERED ACCOUNTANTS

December 15, 2017
Nassau, Bahamas

THE BAHAMAS PROTECTED AREAS FUND

Statement of Financial Position

June 30, 2016

(Expressed in Bahamian dollars)

	2016
ASSETS	
Cash at bank (Note 4)	\$ 661,824
Term deposit (Note 5)	2,000,986
Interest receivable	932
Total Assets	\$2,663,742
LIABILITIES	
Accounts payable and accrued expenses	4,500
Deferred contribution (Note 6)	95,500
Total Liabilities	100,000
NET ASSETS	\$2,563,742
FUND BALANCES	\$2,563,742

See accompanying notes. See Independent Auditors' Report on pages 1 and 2.

Approved on behalf of the Board of Directors:



Chairperson



Treasurer

THE BAHAMAS PROTECTED AREAS FUND

Statement of Comprehensive Income

For the period from July 7, 2014 (date of establishment) to June 30, 2016

	2016
INCOME	
Donations	\$62,682
Contribution (Note 6)	4,500
Interest income	1,918
	69,100
EXPENSES	
Professional fee	4,500
Bank charges	836
Miscellaneous	22
	5,358
NET INCOME AND TOTAL COMPREHENSIVE INCOME	\$63,742
Total comprehensive income is represented by:	
Total comprehensive income of the General Fund	\$61,824
Total comprehensive income of the Endowment Fund	1,918
	\$63,742

See accompanying notes. See Independent Auditors' Report on pages 1 and 2.

THE BAHAMAS PROTECTED AREAS FUND

Statement of Changes in Fund Balances

For the period from July 7, 2014 (date of establishment) to June 30, 2016

	Endowment Fund	General Fund	Total
FUND BALANCE AS AT JULY 7, 2014	\$ -	\$ -	\$ -
Endowment funds received during the period	2,500,000	-	2,500,000
Total comprehensive income	1,918	61,824	63,742
FUND BALANCE AS AT JUNE 30, 2016	\$2,501,918	\$61,824	\$2,563,742

See accompanying notes. See Independent Auditors' Report on pages 1 and 2.

THE BAHAMAS PROTECTED AREAS FUND

Statement of Cash Flows

For the period from July 7, 2014 (date of establishment) to June 30, 2016

2016

Cash flows from operating activities:	
Net income	\$ 63,742
Adjustment to reconcile net income to cash provided by operating activities:	
Interest	(1,918)
Cash provided by operations before changes in operating assets and liabilities	61,824
Increase in operating liabilities:	
Accounts payable and accrued expenses	4,500
Deferred contribution	95,500
Net cash provided by operating activities	161,824
Cash flows from investing activities:	
Investment in term deposit	(2,000,000)
Increase in cash for endowment fund	(500,000)
Net cash used in investing activities	(2,500,000)
Cash flows from financing activities:	
Endowment funds received during the year	2,500,000
Net cash provided by financing activities	2,500,000
Net increase in cash and cash equivalents	161,824
Cash and cash equivalents, beginning of the period	-
CASH AND CASH EQUIVALENTS, END OF THE PERIOD	\$ 161,824
Represented by:	
General Fund:	
Cash at bank	\$ 161,824
	\$ 161,824

See accompanying notes. See Independent Auditors' Report on pages 1 and 2.

THE BAHAMAS PROTECTED AREAS FUND

Notes to Financial Statements

June 30, 2016

1. GENERAL INFORMATION

The Bahamas Protected Areas Fund ("the Fund") was established as a corporate body under the provisions of the Bahamas Protected Areas Fund Act, 2014 ("the Act") on July 7, 2014. The general purpose of the Fund is to ensure sustainable financing into perpetuity for the management of protected areas in The Bahamas, including management activities under the Caribbean Challenge Initiative and the objectives of the Caribbean Biodiversity Fund, for the scientific and policy research and education, conservation and management of protected areas and programs. The affairs of the Fund are administered by a Board of Directors.

The principal administrative office of the Fund is located at Pineapple Grove, Old Fort Bay, Nassau, The Bahamas.

The financial statements were authorized to be issued by the Board of Directors on December 15, 2017.

2. ADOPTION OF NEW STANDARDS AND AMENDMENTS TO THE STANDARDS

At the date of these financial statements, the following standards and amendments to the existing standards have been issued by the International Accounting Standards Board ("the IASB"). Such standards and amendments have not been applied in these financial statements as they are not yet effective:

IFRS 2 (amendments)	-	Share-based Payment - amendments for clarifications on classification and measurement of share-based payment transactions – effective from January 1, 2018
IFRS 9	-	Financial Instruments – effective from January 1, 2018
IFRS 15	-	Revenue from Contracts with Customers – effective from January 1, 2018
IFRS 16	-	Leases – effective from January 1, 2019
IAS 7 (amendments)	-	Statement of Cash Flows (Disclosure Initiative) - amendments to require disclosure of changes in liabilities arising from financing activities – effective from January 1, 2017

The Board of Directors of the Fund anticipates that the adoption of these standards and amendments will have no material impact on the Fund's financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The financial statements of the Fund have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the IASB. The significant accounting policies set out below have been consistently applied during the period.

b. Basis of preparation

These financial statements have been prepared on the historical cost basis. The financial statements are expressed in Bahamian dollars which is the functional and reporting currency of the Fund.

THE BAHAMAS PROTECTED AREAS FUND

Notes to Financial Statements

June 30, 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c. Use of estimates and judgments

The preparation of the financial statements in compliance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the following notes:

Note 3(d)	-	Financial assets and liabilities
Note 8	-	Fair value of financial instruments
Note 9	-	Financial risk management

d. Financial assets and liabilities

The Fund classifies its financial assets as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, except those that the Fund intends to sell in the short-term, or that are designated as at fair value through profit or loss or available-for-sale. Balances included in this classification are cash at bank, term deposit and interest receivable.

Impairment of financial assets

The carrying amounts of the Fund's assets carried at amortized cost are reviewed at each reporting date to determine whether there is any objective evidence of impairment. A financial asset is impaired if its carrying amount exceeds its estimated recoverable amount. Impairment losses on assets carried at amortized cost are measured as the difference between the carrying amount of the assets and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Impairment losses are recognized in the statement of comprehensive income. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognized.

Recognition of financial assets and liabilities

The Fund recognizes financial assets and financial liabilities on the day it becomes a party to the contractual provisions of the instruments.

THE BAHAMAS PROTECTED AREAS FUND

Notes to Financial Statements

June 30, 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d. Financial assets and liabilities (continued)

Derecognition of financial assets and liabilities

The Fund derecognizes a financial asset when the contractual rights to receive cash flows from the financial asset expire or have been transferred and the Fund has transferred substantially all the risks and rewards of ownership of the asset or the Fund has transferred control of the asset. A financial liability is derecognized when the obligation specified in the contract is discharged, cancelled or expires.

Offsetting financial assets and liabilities

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

The Fund classifies its financial liabilities as other financial liabilities.

- Other financial liabilities

Other financial liabilities are initially recognized at fair value, net of transaction costs. Subsequently, they are measured at amortized cost using the effective interest method. Interest expense is recognized on an effective yield basis. The effective interest method calculates the amortized cost of a financial liability and allocates interest expense over the earlier of payoff or scheduled maturity. Balances included in this classification are accounts payable and accrued expenses.

e. Cash and cash equivalents

Cash and cash equivalents comprise cash at bank related to the general fund.

f. Term deposit

Term deposit represents a deposit with an original maturity of over three months.

g. Foreign currency transactions and balances

The financial statements are presented in Bahamian dollars, which is the Fund's functional and presentation currency. Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the dates of the transactions. Exchange differences arising on foreign currency transactions are included in the statement of comprehensive income.

THE BAHAMAS PROTECTED AREAS FUND

Notes to Financial Statements

June 30, 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

h. Related parties

Related parties represent entities or individuals that can exercise significant influence or control over the operations and policies of the Fund. All related party transactions are shown in these financial statements as such.

i. Income and expenses recognition

Donations are recognized as income when received or receivable. Contributions are recognized as income when received or receivable or in the period as specified by the contributor against approved expenses. Contributions that have been received but are specified for use against future expenses are deferred and recognized as liabilities.

All other income and expenses are generally recorded on an accrual basis.

4. CASH AT BANK

As at June 30, 2016, cash at bank is as follows:

	<u>2016</u>
General Fund:	
RBC Royal Bank (Bahamas) Limited	\$161,824
Endowment Fund:	
RBC Royal Bank (Bahamas) Limited	500,000
	<u>\$661,824</u>

5. TERM DEPOSIT

As at June 30, 2016, term deposit is as follows:

	<u>2016</u>
Endowment Fund:	
RBC Royal Bank (Bahamas) Limited	\$2,000,986

The term deposit earns interest at a rate of 0.2% interest per annum.

THE BAHAMAS PROTECTED AREAS FUND

Notes to Financial Statements

June 30, 2016

6. DEFERRED CONTRIBUTION

Deferred contribution consists of the deferred amount of the contribution received. In 2015, the Fund entered into an operational support agreement with The Waitt Foundation (the "Foundation") to provide operational support to the Fund through the grant of \$100,000 for the year ended December 31, 2016. Under the agreement, the funds are to be used for approved expenditure. The Foundation has the option to renew the grant and provide additional amounts of up to \$400,000 over a further period of four years for operational support. Of the \$100,000 received as at the reporting date, \$4,500 was recognized as income and the balance of \$95,500 was deferred.

7. FUND BALANCES

General Fund

The general fund represents the unrestricted fund balance and comprises the accumulated surplus of the Fund.

Endowment Fund

The endowment fund represents the permanently restricted fund balance. In 2016, the government of The Bahamas and the Global Environment Facility (GEF), a United Nations Environment Program (UNEP) funded the endowment fund in the amount of \$2,000,000 and \$500,000, respectively.

According to the Bahamas Protected Areas Fund Act, no part of the endowment's capital may be used to cover the Fund's administrative and operating costs of the general fund unless approved by the unanimous vote of all board members. The capital of the endowment fund shall be invested by an investment manager hired by the board through a transparent and competitive public tender process, subject to the approval of a special majority vote (an affirmative vote of at least three-fourth of the Directors then serving) of the board.

8. FAIR VALUE OF FINANCIAL INSTRUMENTS

Management estimates that the carrying values of the financial assets and liabilities disclosed in the statement of financial position approximate fair values at the reporting date due to their immediate or short-term maturities.

THE BAHAMAS PROTECTED AREAS FUND

Notes to Financial Statements

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9. FINANCIAL RISK MANAGEMENT

The Fund engages in transactions that may expose it to credit risk and liquidity risk. The Fund's financial performance is affected by its capacity to understand and effectively manage these risks.

(i) Credit risk

Credit risk is the possibility that a counterparty to a financial instrument will default on its contractual obligation or commitment that it has entered into with the Fund and cause the Fund to incur a financial loss. The Fund's exposure to credit risk is concentrated in its cash balance. The Fund manages and controls credit risk by depositing its cash with a reputable financial institution.

(ii) Liquidity risk

The objective of liquidity risk management is to ensure the availability of sufficient funds to honor all of the Fund's financial commitments and funding requirements. The Fund maintains an appropriate level of liquid assets to meet cash requirements for normal operating purposes.

The following table details the Fund's remaining contractual maturities for its financial liabilities as at June 30, 2016 and indicates the undiscounted cash flows of such financial liabilities based on the earliest date on which the Fund can be required to pay. The table includes only principal cash flows.

	0 – 3 months	3 – 12 months	Total
Financial liabilities			
Accounts payable and accrued expenses	\$4,500	\$ -	\$4,500

10. CAPITAL MANAGEMENT

The Fund manages its capital to ensure that it will be able to continue as a going concern. Ultimate responsibility for the management of the fund balances rests with the Board of Directors. The capital structure of the Fund is represented by its fund balances. The Fund is not subject to externally imposed capital requirements except for the endowment fund where restrictions on utilization are specified in the Act and by the Caribbean Biodiversity Fund as disclosed in the Note 7.

See Independent Auditors' Report on pages 1 and 2.