

Financial Statements of

THE BAHAMAS PROTECTED AREAS FUND

June 30, 2017

THE BAHAMAS PROTECTED AREAS FUND

Financial Statements

June 30, 2017

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**BAKER TILLY
GOMEZ**
CHARTERED ACCOUNTANTS

The Deanery
28 Cumberland Street
P.O. Box N-1991
Nassau, Bahamas
Tel: +1 (242) 356-4114
Fax: +1 (242) 356-4125
Email: info@btgomez.com
Website: www.btgomez.com

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
THE BAHAMAS PROTECTED AREAS FUND

Opinion

We have audited the financial statements of The Bahamas Protected Areas Fund ("the Fund"), which comprise the statement of financial position as at June 30, 2017 and the statements of comprehensive (loss) income, changes in fund balances and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at June 30, 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in The Bahamas, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

The board of directors is responsible for overseeing the Fund's financial reporting process.

INDEPENDENT AUDITORS' REPORT (continued)

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

INDEPENDENT AUDITORS' REPORT (continued)

Report on Other Legal and Regulatory Requirements

In our opinion, under the provisions of The Bahamas Protected Areas Fund Act, 2014 (the "Act") the accounting records required by the Act to be kept by the Fund of which we are the auditors have been kept in accordance with the provisions of the Act.

A handwritten signature in black ink, appearing to read "Bobb Tilley Long". The signature is written in a cursive, flowing style.

CHARTERED ACCOUNTANTS

December 15, 2017
Nassau, Bahamas

THE BAHAMAS PROTECTED AREAS FUND

Statement of Financial Position

June 30, 2017

(Expressed in Bahamian dollars)

	2017	2016
ASSETS		
Current assets		
Cash on hand and at bank (Note 4)	\$ 732,246	\$ 661,824
Term deposit (Note 5)	2,002,619	2,000,986
Other receivable	1,390	932
	<u>2,736,255</u>	<u>2,663,742</u>
Non-current assets		
Fixed assets	1,279	-
Total Assets	<u>2,737,534</u>	<u>2,663,742</u>
LIABILITIES		
Accounts payable and accrued expenses	9,000	4,500
Deferred contribution (Note 6)	165,680	95,500
Total Liabilities	<u>174,680</u>	<u>100,000</u>
NET ASSETS	<u>\$2,562,854</u>	<u>\$2,563,742</u>
FUND BALANCES	<u>\$2,562,854</u>	<u>\$2,563,742</u>

See accompanying notes. See Independent Auditors' Report on pages 1 to 3.

Approved on behalf of the Board of Directors:


Chairperson


Treasurer

THE BAHAMAS PROTECTED AREAS FUND

Statement of Comprehensive (Loss) Income

For the year ended June 30, 2017, with corresponding figures from July 7, 2014 (date of establishment) to June 30, 2016

	2017	2016
INCOME		
Contribution (Note 6)	\$29,820	\$ 4,500
Interest income	749	1,918
Donations	-	62,682
	<u>30,569</u>	<u>69,100</u>
EXPENSES		
Payroll	19,748	-
General and administrative (Note 8)	11,709	5,358
	<u>31,457</u>	<u>5,358</u>
NET (LOSS) INCOME AND TOTAL COMPREHENSIVE (LOSS) INCOME	<u>\$ (888)</u>	<u>\$63,742</u>
Total comprehensive (loss) income is represented by:		
Total comprehensive (loss) income of the General Fund	\$(1,637)	\$61,824
Total comprehensive income of the Endowment Fund	749	1,918
	<u>\$ (888)</u>	<u>\$63,742</u>

See accompanying notes. See Independent Auditors' Report on pages 1 to 3.

THE BAHAMAS PROTECTED AREAS FUND

Statement of Changes in Fund Balances

For the year ended June 30, 2017, with corresponding figures 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
Total comprehensive income (loss)	749	(1,637)	(888)
FUND BALANCE AS AT JUNE 30, 2017	\$2,502,667	\$60,187	\$2,562,854

See accompanying notes. See Independent Auditors' Report on pages 1 to 3.

THE BAHAMAS PROTECTED AREAS FUND

Statement of Cash Flows

For the year ended June 30, 2017, with corresponding figures from July 7, 2014 (date of establishment) to June 30, 2016

	2017	2016
Cash flows from operating activities:		
Net (loss) income	\$ (888)	\$ 63,742
Adjustment to reconcile net (loss) income to cash provided by operating activities:		
Interest	(749)	(1,918)
Cash provided by operations before changes in operating assets and liabilities	(1,637)	61,824
(Increase) in operating assets:		
Other receivable	(1,342)	-
Increase in operating liabilities:		
Accounts payable and accrued expenses	4,500	4,500
Deferred contribution	70,180	95,500
Net cash provided by operating activities	71,701	161,824
Cash flows from investing activities:		
Purchase of fixed assets	(1,279)	-
Increase in cash for endowment fund	-	(500,000)
Investment in term deposit	-	(2,000,000)
Net cash used in investing activities	(1,279)	(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	70,422	161,824
Cash and cash equivalents, beginning of the period	161,824	-
CASH AND CASH EQUIVALENTS, END OF THE PERIOD	\$232,246	\$ 161,824
Represented by:		
General Fund:		
Cash on hand	\$ 500	\$ -
Cash at bank	231,746	161,824
	\$232,246	\$ 161,824

See accompanying notes. See Independent Auditors' Report on pages 1 to 3.

THE BAHAMAS PROTECTED AREAS FUND

Notes to Financial Statements

June 30, 2017

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 programmes. 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 of the Fund 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

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, 2017

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 9	-	Fair value of financial instruments
Note 10	-	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 other receivable.

Impairment of financial assets

The carrying amounts of the Fund's assets carried at amortised 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, 2017

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 on hand and 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.

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.

THE BAHAMAS PROTECTED AREAS FUND

Notes to Financial Statements

June 30, 2017

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 ON HAND AND AT BANK

As at June 30, 2017, cash on hand and at bank are as follows:

	2017	2016
General Fund:		
Cash on hand	\$ 500	\$ -
RBC Royal Bank (Bahamas) Limited	231,746	161,824
	<u>232,246</u>	<u>161,824</u>
Endowment Fund:		
RBC Royal Bank (Bahamas) Limited	500,000	500,000
	<u>\$732,246</u>	<u>\$661,824</u>

5. TERM DEPOSIT

As at June 30, 2017, term deposit is as follows:

	2017	2016
Endowment Fund:		
RBC Royal Bank (Bahamas) Limited	\$2,002,619	\$2,000,986

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

THE BAHAMAS PROTECTED AREAS FUND

Notes to Financial Statements

June 30, 2017

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 renewed the grant to provide for additional amounts of up to \$400,000 over a further period of four years for operational support.

The movement in the deferred contribution is as follows:

Balance as at July 7, 2014	\$ -
Funds received	100,000
Contribution used for approved expenditure	(4,500)
Balance as at June 30, 2016	95,500
Funds received	100,000
Contribution used for approved expenditure	(29,820)
Balance as at June 30, 2017	\$165,680

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 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.

THE BAHAMAS PROTECTED AREAS FUND

Notes to Financial Statements

June 30, 2017

8. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the year were as follows:

	2017	2016
Professional fee	\$ 4,500	\$4,500
Website hosting and update	1,710	-
Travel and accommodation	1,658	-
Marketing and public relations	1,500	-
Bank charges	1,069	836
Computer maintenance	584	-
Office supplies	419	22
VAT	269	-
	<u>\$11,709</u>	<u>\$5,358</u>

9. 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.

10. 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.

THE BAHAMAS PROTECTED AREAS FUND

Notes to Financial Statements

June 30, 2017

10. FINANCIAL RISK MANAGEMENT (continued)

(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, 2017 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
2017			
Financial liabilities			
Accounts payable and accrued expenses	\$9,000	\$ -	\$9,000
	0 – 3 months	3 – 12 months	Total
2016			
Financial liabilities			
Accounts payable and accrued expenses	\$4,500	\$ -	\$4,500

11. 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's 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 to 3.