

# BPAF ANNUAL REPORT 2017



BAHAMAS  
PROTECTED  
AREAS FUND

# VISION & MISSION STATEMENT

## VISION STATEMENT

Investing for the future of resilient biodiversity within the Bahamas.

## MISSION STATEMENT

Ensure a sustainable financial base for the effective management of the Bahamas National Protected Areas System and for conservation activities that protect the future and productivity of our national resources.



# BPAF CORE PRINCIPLES

The BPAF functions under the core principles of:

## **TRANSPARENCY**

This principle is embodied in the provisions of the BPAF Act on conflicts of interest and external audits.

## **ACCOUNTABILITY**

This principle is embodied in the provisions of the BPAF Act for the Board to issue an Annual Report to the Minister who shall share a copy with the House of Assembly and the Senate, and to make the annual audited financial report publicly available.

## **INDEPENDENCE/NON-POLITICAL**

This principle is embodied in the provisions of the BPAF Act that prohibits the Fund from the publication of propaganda, attempts to influence the passage of legislation or participation or intervention in any political campaign by or on behalf of any political candidate or party.





# MESSAGE FROM THE CHAIRPERSON OF THE BOARD

Over the past year, the Fund has been engaged in the strengthening of its internal governance and operations. We have improved our core governance structure by solidifying the Board with the appointment of three new Directors. In addition, we have established a number of policies, manuals and procedures to ensure control and consistency in our operations, and to secure our long-term goals.

We are very pleased to report that we remain on target to complete the activities under our 2015-2018 Strategic Plan. Our successes include the establishment of the Endowment Fund with CFAL - our Investment Manager, the posting of the Register of Protected Areas to our website, and the completion of our external audit for our financial year 2017. We are currently developing the Strategic Plan for 2019-2022 and our Grants Framework, in conjunction with a wide array of stakeholders to understand your expectations and priorities for the Fund

BPAF is a statutory body which derives its existence from The Bahamas Protected Areas Act ("the Act"). When the Act was passed its purpose was to create the mechanism for the Fund to be closely linked to the Caribbean Biodiversity Fund (CBF) with the intention that, upon signing a Partnership Agreement with the CBF, the Fund would receive the benefit of annual payments which are disbursed by CBF to national trust funds in the region, such as the BPAF. The Board is eager to achieve this key goal by signing this agreement with the CBF. However, the CBF has made it clear that before the 'Fund will be eligible to sign the Partnership Agreement, certain changes to the Act are required to assure the Fund's independence in law. The Board, in consultation with the Ministry of the Environment, is therefore seeking the amendment of several sections of our Act that are standing in the way of our achieving the key goal of signing the CBF Partnership Agreement. The proposed draft amendments are at an advanced stage and are expected to be finalized by the Board and submitted to the relevant governmental authorities shortly. It is hoped that the amendments will be approved so that the BPAF can take its proper place within the financial architecture of the CBF; a position that will enable us to receive increasingly large levels of grant and multi-lateral funding urgently needed for the management of the Bahamas National Protected Areas System (BNPAS).

Increasing our funding for the management of the BNPAS is a key objective of the BPAF. The estimated current gap in the financing for the BNPAS is \$10.5M annually, increasing to \$139.7M by the end of 2027. These numbers are substantial and will require a comprehensive and transformative financial strategy to support the BNPAS and the Government's goal to protect 20% of the near-shore marine resources by 2020. However, the benefits derived from the management of protected areas are staggering, and clearly justifies our collective investment in our environment. Specifically, estimated values of natural resources amount to \$806M in annual income saved from losses due to the impact of hurricanes, \$5billion saved annually from harmful emissions captured by mangroves and sea grass beds, and \$67.6M derived annually from tourism expenditures associated with visits to marine protected areas.

The Board is therefore committed to its comprehensive strategy for sustainable funds for the management of the BNPAS; a key priority for 2018. It will include the implementation of several sustainable financial options, the development of a long-term fundraising plan for donations, contributions and bequests, and the establishment of a grants-in program to secure funds that align with our objectives.

Success will continue to require the support of all of you, our partners and friends. We want to thank you for supporting our vision and achievements over the past year. Special thanks are extended to the Minister and Ministry of Environment, The BEST Commission, CBF, TNC and the WAITT Foundation. Finally, we would like to again thank New Providence Development Co. for the generous offer of office space for the Fund.

As Chairperson, it has been my pleasure to work together with my fellow Board Members to help guide the establishment and operationalization of this Fund, the first of its kind in The Bahamas.



Gail Lockhart Charles, Chairperson

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## INTRODUCTION

The Bahamas Protected Area Fund (BPAF) is a corporate body established in 2014 by an Act of Parliament. The purpose of the fund is to ensure sustainable financing into perpetuity for the management of The Bahamas National Protected Area System (BNPAS). Protected areas include those established by the Government of The Bahamas as well as areas established for various reasons inclusive of biodiversity conservation, protection of carbon sinks, water resources, wetlands and blue holes, degraded or threatened ecosystems as well as those areas established to aid in mitigating for and adapting to climate change under relevant multilateral environmental agreements or international conventions.

The BPAF is independently governed and administered by an 11-member Board of Directors. Its day to day operations are managed by an Executive Director. The Fund is permitted to generate revenues from a number of sources including the Government of The Bahamas, the Caribbean Biodiversity Fund (CBF), public and private donations and grants, investment income and taxes, which may be held for general operations or within an endowment, sinking, revolving or other fund as the Board may determine.

Currently \$2.5M is being held in our endowment fund, which has been invested with CFAL with an aim of generating 3% above the annual rate of inflation

using a three-year rolling average. The endowment will act as partial -match for our obligation under the CBF – a regional endowment fund whose aim is to provide a flow of funding for biodiversity conservation across the Caribbean. The CBF is working with member countries to ensure biodiversity conservation by supporting the establishment of sustainable financing mechanisms within each member country. Revenues from these mechanisms and funding from the CBF will each year flow to local partners via grants in support of country specific goals and priorities.

Hence the BPAF will act as a partnership and participatory Fund that will

balance both government and NGO needs as it grants funding, which will extend to various agencies or ministries of the Government NGOs, local universities, private organizations, community based groups and other groups whose activities are synonymous with the purposes and goals of the BPAF.

### **Bahamas National Protected Areas System**

The Bahamas is the largest small-island archipelago in the tropical Atlantic, similar in size and complexity to the entire Lesser Antilles. The Bahamas comprises over 700 low-lying islands and cays. The total land area of The Bahamas is approximately 1,394,000 hectares (3,444,649.02 acres). The size, complexity, and ecological isolation of The Bahamas have contributed to

significant biodiversity and the development of several unique ecosystems. The largest and easily identifiable ecosystems include, Caribbean Pine Rockland Forests, Dry Green Forests, Island Ponds, Mangrove Forests, Blue Holes, Coastal Rock, Tidal Flats and Salt Marshes, Sea Grass Beds, Coral Reefs and the Open Ocean.

The Bahamas recognized the need to establish, protect and preserve important biodiversity resources quite early. In 1958, the first Marine Protected Area (MPA) in The Bahamas was established - the Exuma Cays Land and Sea Park. It is reputed to be the first of its kind in the world and became an exclusive no-take area in 1986. A National Creek and Wetlands Initiative commenced in 1999 and forty creek systems country-wide were catalogued and inventoried for restoration,

an important starting point for The Bahamas to effectively manage its creek and wetland systems. In 2000, the Government approved the creation of an initial five Marine Reserves in the north and central Bahamas and with the expansion of the Westside National Park of Andros, the total network of marine protected areas in The Bahamas increased to approximately 550,000 hectares.

The Bahamas 2020 Declaration was formally declared in Bonn, Germany at the Ninth Conference of the Parties in May 2008. The 2020 Declaration served as the Government of The Bahamas' confirmation of its intent to preserve the country's marine and terrestrial environments and to meet the targets established by the UN Convention on Biological Diversity (CBD) Programme



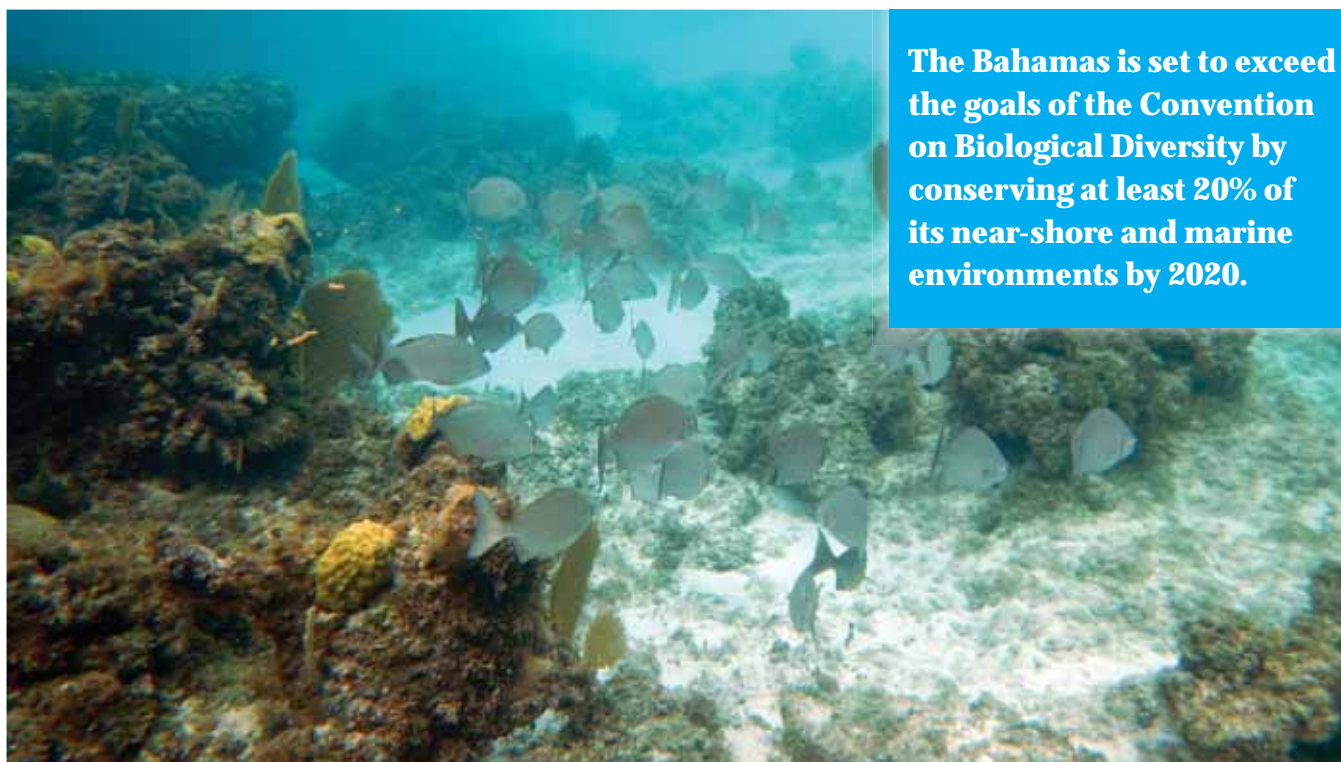
its intent to exceed CBD goals by effectively conserving at least 20% of the near-shore marine resources across The Bahamas by 2020. In addition, the Bahamas also committed to a minimum of 50% of existing marine and 50% of existing terrestrial national parks and protected areas being effectively managed by 2020.

To help meet these goals under the PoWPA, the *Bahamas National Protected Areas System Project* was implemented with funding from the Global Environment Facility (GEF) full size MPA Project. A key deliverable of the Project was the development of a Master Plan, which was finalized in 2012 and aligns with the vision and goals of the Bahamas 2020 Declaration as well as the goals and targets of the PoWPA. The Plan, developed through the

National Implementation Support Partnership (NISP), included several key components: an Ecological Gap Analysis, Assessment of Management Effectiveness, Capacity Action Plan and a Sustainable Finance Plan. The BNPAS project also incorporated climate change and its impact on biodiversity and conservation.

In 2015, the Government of the Bahamas declared another 7.5M acres of new protected areas within the Bahamas effectively placing the Bahamas at mid-point towards its 2020 goal and exceeding the goal of 6.2M acres under the GEF full size MPA project. Today some 13.9M acres are protected across the Bahamas in conservation forests, forest reserves, marine and terrestrial protected

areas, a heritage site and wild bird reserves. Protected Area Managers include the Bahamas National Trust, The Department of Marine Resources, the Forestry Unit of the Ministry of Environment, the Ministry of Environment – Wild Bird Reserves and the Clifton Heritage Authority. Other organizations support the efforts and activities of the PA Managers including the Bahamas Environmental, Science and Technology Commission, The Nature Conservancy, the Bahamas Reef Environment Educational Foundation (BREEF), and the University of the Bahamas among many others across country.



**The Bahamas is set to exceed the goals of the Convention on Biological Diversity by conserving at least 20% of its near-shore and marine environments by 2020.**



## **The Caribbean Challenge Initiative and the Caribbean Biodiversity Fund**

To further meet its commitments under the UN Convention on Biological Diversity, in 2008 the Bahamas became one of the original countries to join the Caribbean Challenge Initiative (CCI). The CCI, which began through the cooperation of a group of Caribbean governments, The Nature Conservancy and the German Development Bank – KfW, is a platform connecting governments, civil society and the private sector for the protection of the Caribbean's marine and coastal resources for long-term sustainability and quality of life. By joining the CCI, the Bahamas, like several other Caribbean countries, has access to financial, political and

technical support at a scale far in excess of national levels. The CCI ignited a region-wide initiative to raise millions in funding for conservation to be managed through a permanent protected area trust fund – the Caribbean Biodiversity Fund (CBF). The CBF, funded by the German Government (BMZ and KfW), The World Bank Group, Global Environment Facility and The Nature Conservancy, is a \$42M regional endowment intended to provide a reliable flow of funds to support conservation and sustainable development throughout the Caribbean.

The Bahamas' main priority actions under the CCI were the establishment of the Bahamas Protected Areas Fund (BPAF) – the first national conservation trust fund established under the fi-

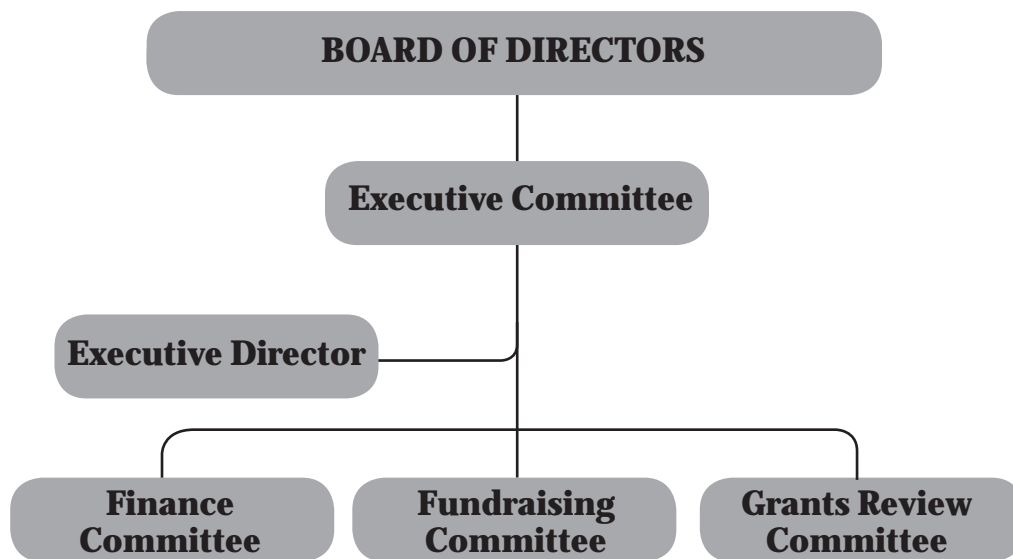
ancing structure of the CBF, the provision of sustainable financing for the BPAF and the expansion of the marine protected areas system.

It is anticipated that the Bahamas will conclude all the requirements for the execution the Partnership Agreement with the CBF, work along with the Government of the Bahamas to identify and implement sustainable financing options for the BPAF and complete the framework for the establishment of its grants program. Funding from the CBF, the sustainable financing options and the endowment are intended to support the Grants Program that will fund the management of protected areas, biodiversity conservation and climate change adaptation and mitigation.



# INSTITUTIONAL MANAGEMENT

## Organization Structure



## Board of Directors

The BPAF is governed and administered by a Board of Directors. The BPAF Act 2014, Section 16 describes its principle functions as:

- The executive control and management of the Fund
- The enactment of Bye-laws of the Fund and

the establishment of appropriate policies/ manuals to manage its affairs.

- The periodic review and modification as required of guidelines for the management and investment of the Fund's

assets

- Hire and management of the Executive Director
- Periodic engagement in strategic planning
- The review and approval of the annual budget and financial reports of the Fund



- Periodic review of the Partnership Agreement with the CBF and any financial arrangements for the transfer of funds.

The Board of Directors is comprised of a maximum of eleven members from the Government and civil

society including non-governmental organizations and the private sector. Each member of the Board brings expertise in ecological science, biodiversity conservation, law, investment management, grant writing or fundraising. The Directors are fiduciaries

of the Fund and are expected to act at all times within the best interest of the Fund; prudently managing its assets, ensuring that it complies with its purpose, operates transparently and accountably and that the Fund accepts no unnecessary risks.

## THE BOARD OF DIRECTORS

<b>Mrs. Gail Lockhart-Charles</b>	<b>Chairperson of the Board</b>
<b>Mrs. Shenique Albury-Smith</b>	<b>Vice-Chair</b>
<b>Mr. George Maillis</b>	<b>Treasurer</b>
<b>Mrs. Lisa Benjamin</b>	<b>Member</b>
<b>Mr. Eric Carey</b>	<b>Member</b>
<b>Mr. Evan Cartwright</b>	<b>Member</b>
<b>Mrs. Crystal McClain</b>	<b>Member</b>
<b>Mrs. Casuarina McKinney-Lambert</b>	<b>Member</b>
<b>Jason Pinder</b>	<b>Member</b>
<b>Mrs. Patrice Wallace</b>	<b>Member</b>



Members of the board with Minister Romauld Ferreira, M.P.

## Board Committees

The BPAF currently has an Executive Committee comprised of the Chairperson, Vice Chair and Treasurer. The Finance/Investment Committee is in the process of establishment and is expected to be chaired by the Treasurer.

The Fundraising and Grants Review Committees are expected to be established in 2018.

## Executive Director

The Executive Director – Karen Panton, is the chief administrative officer of the Fund responsible for its day-

to-day affairs. The Executive Director is responsible to the Board for the economical and efficient administration of the affairs of the Fund. The Executive Director performs all duties incidental to the Secretary of the Board and all such duties as assigned to the Executive Director by the Board of Directors.

## 2017 ACTIVITIES

### STRENGTHENING OF BPAF'S GOVERNANCE AND ADMINISTRATIVE STRUCTURE

#### Board Composition

The Board continues to work on the governance of the Fund having approved the budget for 2017/2018, and BPAF Operations Manual, in addition to several core policies including investments, procurement, disbursement and signing authority and travel.

Three members of the Board were newly appointed in July 2017 filling vacancies left by several resignations. These appointments were much anticipated and allow the Fund to continue to effectively act on its mandate with the variety of skill sets required in the Act. With the board membership currently at 10, it is expected that the remaining required board committees will be established and operational imminently.

#### Executive Director

BPAF underwent an extensive and lengthy hiring process for the Executive Director. Following several meetings, the Board decided to proceed with



Executive Director - Karen Panton, with  
His Excellency, Reuben Rahming M.P.,  
High Commission to CARICOM

the offer to Karen Panton, former Director of Finance and Operations at the Bahamas National Trust and former Director of Finance for the Nature Conservancy's Caribbean Program as well as the Financial Representative for the Caribbean Challenge

Initiative. The board felt that Ms. Panton's tenure with two significant environmental NGOs and her understanding of the aims of the CCI were vital to the accomplishments of the strategic aims of the BPAF. Karen, who brings strong financial acumen to the BPAF, started mid-March 2017 and has been working to operationalize the BPAF and support the completion of its 2015-2018 strategic activities.

#### Establishment of the BPAF Office

A generous donation of rent free office space at the Old Fort Bay Town Centre has been received from The New Providence Development Company Limited. The outfitting of the donated office space, which is being completed by the donor at no cost to BPAF, is expected to be completed in 2018.

## Hire of the Investment Manager

The Board unanimously approved the appointment of CFAL as the Investment Manager. This decision followed a public tender process in which requests for proposals were advertised in the two leading Bahamian newspapers and on the BPAF's website. In December 2017, the investment accounts were established with CFAL.

The Board also plans to establish a Finance/Investments Committee to oversee the activities of the Investment Manager and ensure adherence with the Investment Policy Statement of the BPAF.

## Partnership Agreement with the CBF

We continue to move towards membership in CBF, regularly attending meetings and securing the support of the CBF for our institutional strengthening.

The BPAF was represented at the CBF Meeting in Puer to Rico in June that focused on the status of the national country trust funds, the full capitalization of the CBF Sustainable Finance Architecture (which includes country trust funds) and the focus of and venue for the second CCI Summit to be held in 2019. We were pleased to see the increase in private sector participation and support of the CCI.

As it relates to the execution of the Partnership Agreement with the CBF, we are pleased to advise the BPAF and the CBF are in continuing discussions. One principal matter remains, which has been discussed with the Minister of Environment, and this relates to language within the Act that impedes the independence of the BPAF Board. This language would prevent the signing of the Partnership Agreement. Following the invitation by the Minister for recommended amendments to the Act, the BPAF is collaborating with TNC and the CBF to produce an impartial list

of changes that will satisfy our mandate and those of the Ministry of Environment and CBF.

## Register of Protected Areas

The Register of the Bahamas Protected Areas has been posted on the BPAF's website. A portfolio of all declared areas is also progressing that will be held in the office of the Fund. We are also working on a mural, map or 3-D rendering for one of the walls of the new office that will highlight all areas declared by the Government of the Bahamas.

## Sustainable Financing Revenue Options

We are pleased to be collaborating with The Nature Conservancy on the Sustainable Financing Mechanism section of the *Bahamas Protected Project*, an initiative led by TNC and financed by Oceans 5. It is expected that this project will help





to quantify both the cost and the financing necessary to effectively manage the Bahamas National Protected Areas System. We have been regularly engaged for several months and met on October 17-18, 2017 with PA managers, other environmentalists, governmental and civil society representatives to review the interim details provided by the consultants.

Since this meeting, the consultants have finalized a high-level implementation plan for eight financing options to assist the BPAF with its mandate to implement new financing mechanisms. These revenue streams are fundamental to the ability of the BPAF to meet the current annual financial gap of \$10.5M for the effective management of protected areas across the Bahamas. Accordingly, the BPAF has committed to the hire of a sustainable financing consultant to extend the research to determine the legal, political, capacity and social requirements of implementing two to three of the recommended options

in addition to an estimation of the expected return on investment. The research will be undertaken with the participation of key government officials to secure their recommendations and approval.

### **Redesign of the BPAF's Website**

Working with several partners, we have made a thorough review of our website ([www.bahamasprotected.com](http://www.bahamasprotected.com)) and have contracted with a local company for its redesign. The revised site will include

- new content associated with the Fund as well as details concerning our Grants Program - eligibility requirements and an on-line application portal. The new site will allow us to manage most of our content internally and provide an e-commerce platform to process online donations. It is projected that the revised

site will be completed by mid 2018.

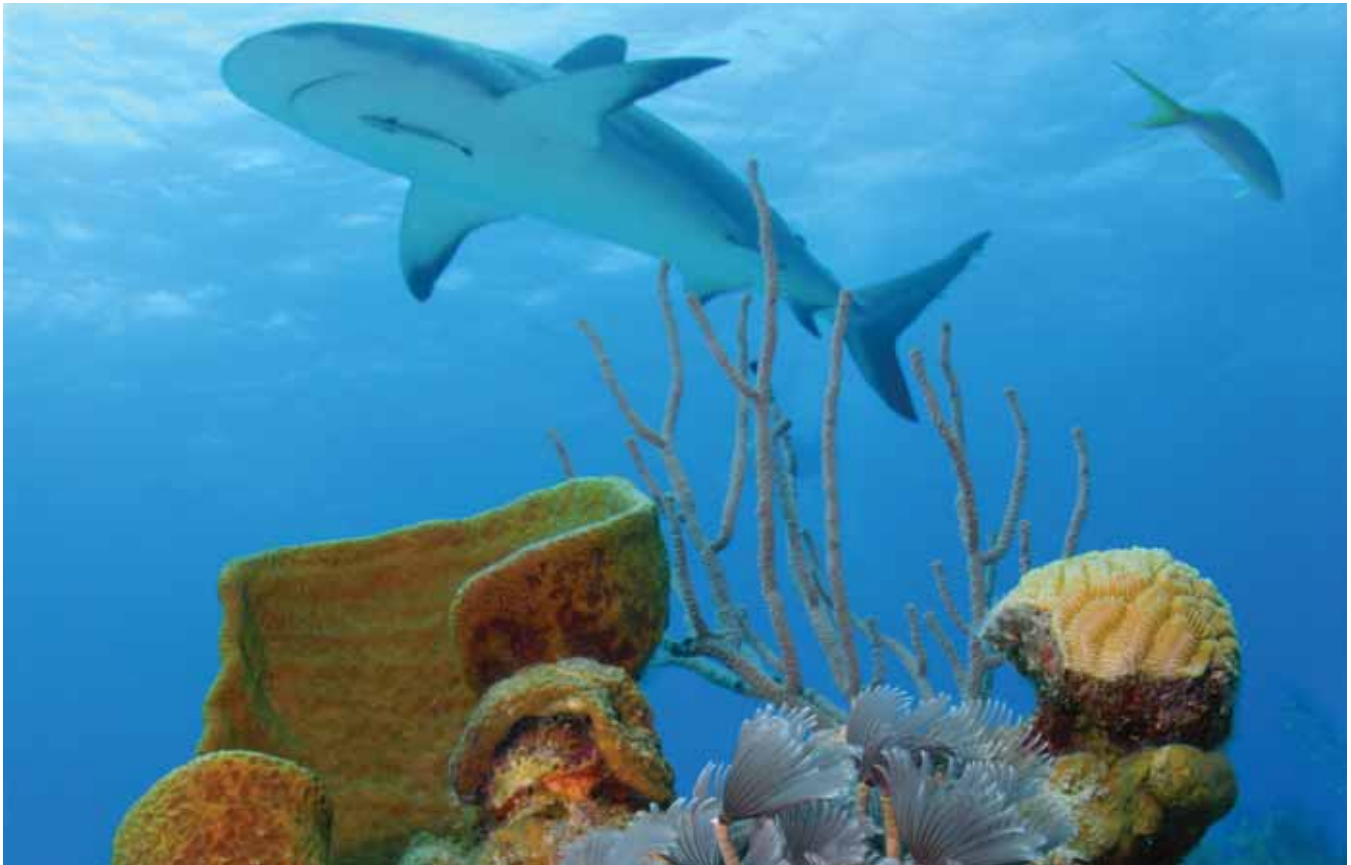
Apart from the website, the Fund's Facebook page has been reactivated to capture activities or promotions of the PA Managers, the CBF, and matters of interest to the management of protected areas, climate change or any other purpose captured in Section 6 of the Act.

### **BPAF Network**

In addition to the meetings with the CBF during the year, the BPAF was also represented at several other regional and national meetings. Including:

- Marine Congress in La Serena, Chile in September - where we were able strengthen our relationship with other organizations and persons in marine management and the WAITT Foundation – a principal donor of the Fund.
- Our Oceans Conference





in Malta in October BPAF had the opportunity to accompany the Minister as part of the Bahamian delegation. BPAF was able to introduce Minister Ferreira to representatives from several key grant agencies including Pew Foundation and Oceans 5. Key to the conference was the real protection of the world's marine protected areas. The event was convened by former US Secretary of State John Kerry in support of ocean conservation. Although countries are on track to meet the 10% protected global goal, there needs to be further clarity surrounding the level of protection within the areas.

- RedLac Assembly in Punta Cana, D.R. in October – BPAF attended a very informative session on investment management, heard lively discussions on the link between MPAs and sustainable development, sustainable tourism and fundraising and innovative funding of environmental funds. The BPAF forged links to several funds and organizations within the Pacific, North and Latin America and Africa while strengthening its relationships with sister funds in the Caribbean.

### **Strategic Plan and Grants Framework**

During the year the Board agreed to hire a consultant

to develop the 2019-2022 Strategic Plan and the Grants Framework that will underpin the Grants Program. HD Wells Planning Service was selected for this service following an open search for consultants.

The Strategic Plan is expected to focus on increasing sustainable financing for protected areas and raising awareness of the Fund. The Grants Framework will provide the foundation for establishing the Grants Program for the BPAF. Via interactions with the BPAF and various stakeholders, the consultant will identify the key priority areas for grant focus, develop relevant policies and set the general parameters for the BPAF to fulfill its role as a grant making institution.



## **PREVIEW OF 2018 FISCAL YEAR OBJECTIVES**

### **The key objectives for 2018 will include:**

- Executing the PA with the CBF
- Strengthening the capacity of the Board to lead and manage the Fund
- Establishment of the Fundraising Committee.
- Development of innovative 4-year fundraising plan.
- Establishment of the BPAF Office
- Completion of the 2019-2022 Strategic Plan
- Development of the agile and transparent Grants Program
- Establishment of Grants Review Committee
- Developing and implementing a sound communications plan for the BPAF to increase its national, regional and global presence.

## OUR PARTNERS

The BPAF would like to express its sincere thanks to the Minister of Environment and his team, the BEST Commission, The Nature Conservancy, the Caribbean Biodiversity Fund and the WAITT Foundation for all the support we have received during the year. We are very pleased to advise that the WAITT Foundation has confirmed its support of the BPAF for another year. Thank you!

We would also like to thank Rochelle Newbold of Island Conservation and Portia Sweeting of the Bahamas National Trust for their contributions to the redevelopment of our website.



# **INDEPENDENT AUDITOR'S REPORT**

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

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## 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.



CHARTERED ACCOUNTANTS

December 15, 2017  
Nassau, Bahamas

## THE BAHAMAS PROTECTED AREAS FUND

### Statement of Financial Position

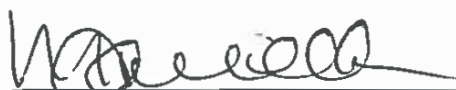
June 30, 2017

(Expressed in Bahamian dollars)

	2017	2016
<b>ASSETS</b>		
<b>Current assets</b>		
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>
<b>Non-current assets</b>		
Fixed assets	1,279	-
<b>Total Assets</b>	<u>2,737,534</u>	<u>2,663,742</u>
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	9,000	4,500
Deferred contribution (Note 6)	165,680	95,500
<b>Total Liabilities</b>	<u>174,680</u>	<u>100,000</u>
<b>NET ASSETS</b>	<u>\$2,562,854</u>	<u>\$2,563,742</u>
<b>FUND BALANCES</b>	<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
<b>INCOME</b>		
Contribution (Note 6)	\$29,820	\$ 4,500
Interest income	749	1,918
Donations	-	62,682
	<b>30,569</b>	<b>69,100</b>
<b>EXPENSES</b>		
Payroll	19,748	-
General and administrative (Note 8)	11,709	5,358
	<b>31,457</b>	<b>5,358</b>
<b>NET (LOSS) INCOME AND TOTAL COMPREHENSIVE (LOSS) INCOME</b>	<b>\$ (888)</b>	<b>\$63,742</b>
<b>Total comprehensive (loss) income is represented by:</b>		
Total comprehensive (loss) income of the General Fund	\$(1,637)	\$61,824
Total comprehensive income of the Endowment Fund	749	1,918
	<b>\$ (888)</b>	<b>\$63,742</b>

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
<b>FUND BALANCE AS AT JULY 7, 2014</b>	\$ -	\$ -	\$ -
Endowment funds received during the period	2,500,000	-	2,500,000
Total comprehensive income	1,918	61,824	63,742
<b>FUND BALANCE AS AT JUNE 30, 2016</b>	2,501,918	61,824	2,563,742
Total comprehensive income (loss)	749	(1,637)	(888)
<b>FUND BALANCE AS AT JUNE 30, 2017</b>	<b>\$2,502,667</b>	<b>\$60,187</b>	<b>\$2,562,854</b>

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

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

## THE BAHAMAS PROTECTED AREAS FUND

### Notes to Financial Statements

June 30, 2017

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#### 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

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#### 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

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

#### 5. TERM DEPOSIT

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

	2017	2016
<b>Endowment Fund:</b>		
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	-
	<b>\$11,709</b>	<b>\$5,358</b>

#### 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
<b>2017</b>			
<b>Financial liabilities</b>			
Accounts payable and accrued expenses	\$9,000	\$ -	\$9,000
<b>2016</b>			
<b>Financial liabilities</b>			
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.