

BAHAMAS
PROTECTED
AREAS FUND

2018

Annual Report

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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

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.



**The Bahamas
Protected Areas
Fund (BPAF) is a
corporate body
established in
2014 by an Act of
Parliament.**

REPORT FROM BPAF CHAIRPERSON MRS. KELLEY BOSTWICK-TOOTE



Dear Partners and Stakeholders,

I am very pleased to present our Annual Report for 2018.

The Board is especially pleased to advise that the amendments to the Act, so pivotal to the signing of the Partnership Agreement with the Caribbean Biodiversity Fund, are underway. We are working with the Ministry of Environment and the Attorney General's Office to ensure that the amendments advance smoothly. We particularly applaud our Minister of Environment, The Hon. Romauld Ferreira M.P., for his support for the amendments.

Much has been accomplished-we commend the previous Board for its commitment to excellent governance and internal structure; their efforts have laid a firm foundation upon which to build. However much remains as it relates to developing the sustainable financial base for the organization. I believe that the current mix of excep-

tional Board members that includes the former Minister of Environment, Mr. Earl Deveaux- a trail blazer for the establishment of the Caribbean Challenge Initiative (CCI); Mr. Colin Higgs, former Ambassador for the Environment in The Bahamas and Mr. Bruno Roberts, former Trustee for The Nature Conservancy's Caribbean Program - the Parent of the CCI, is critical to our financial growth. These stalwarts together with the other extraordinary men and women on the Board, are important to our key objectives for 2019 which are: to sign the Partnership Agreement, begin the implementation of several sustainable finance mechanisms, implement the grants program and raise our profile and visibility.

The Bahamas is key to the ecological success of the CCI as we represent some 50% of the total shelf in the Caribbean and 70% of the shelf of all CCI countries. This is a clear incentive for the support we are committed to pursue and the profile we wish to

raise. Nationally, the expansion of our MPAs means protection from storm events, improvements in our fish-stock and enhanced livelihoods for those they support, continued contributions to our tourism sector and increasingly important, strengthening resilience to climate change. The Bahamas is one of the top ten countries at considerable risk due to climate change. BPAF has as one of its core pursuits, activities that support climate change mitigation and adaptation. We will continue to work with and through each of you to support such activities that are built into the goal of the Government of The Bahamas to protect 20% of the near-shore marine resources by 2020; a key funding priority for our Grants Program.

The Grants Program for 2019-2022 will also seek to address key threats to ecosystem health and improve management effectiveness within protected areas. Other priorities include the development of a comprehensive research program with monitoring indicators for protected areas, implementation of the 2013 National Invasive Species Strategy, development and implementation of management plans and sustainable finance plans at the site level.

Our financial health is comparable to the prior year despite 2018 being the first full year of staffed operations. The Endowment Fund of \$2.5M remains fully managed by CFAL. The Board intends to accelerate the growth of our financial base, both to increase the Endowment Fund and to advance the implementation of the Grants Program. We are exploring a variety of mechanisms

and opportunities and have engaged the Government of The Bahamas and the private sector, including representatives from tourism and financial services, toward the realization of this goal. We will engage with those individuals and companies who wish to secure the future and resources of our islands and whose aims parallel the mission of the Fund.

Thank you for your support of the Fund. We have worked to include your contributions within our strategic plans for 2019-2022 to produce a collaborative vision to support our country. We want to encourage this continued commitment to collaboration which we have noted, as there is strength in togetherness and cooperation.

We wish to thank the Government of The Bahamas, in particular the Ministry of Environment and the BEST Commission. Special thanks are extended to the WAITT Foundation - one of our key donors; we are very grateful for your continued confidence and support. We also wish to acknowledge the support of Mr. Terry White and express special thanks to The Nature Conservancy including its Legal Team, and the fine teams at the Caribbean Biodiversity Fund and the Bahamas National Trust.

As Chairperson, it is my pleasure to oversee this second phase of the Fund as we move forward to support our shared goals.

Kelley Bostwick-Toote
Chairperson of the Board

INTRODUCTION

The Bahamas Protected Areas Fund (BPAF) is a corporate body established in 2014 by an Act of Parliament. The Fund was the first National Conservation Trust Fund (NCTF), established under the Caribbean Biodiversity Fund (CBF) Sustainable Financial Architecture - the financial arm of the Caribbean Challenge Initiative (CCI).

The CCI is an ambitious coalition of governments, funders and partners working to conserve 20% of Caribbean's marine and coastal environments in eleven participating countries by 2020. It was founded in 2008 by The Nature Conservancy (TNC) and is supported by the German Government, the Global Envi-

ronment Fund, Caribbean Governments, and global private and public sector partners.

The Bahamas has championed the coalition through successive governmental administrations since its inception. In fact, then Prime Minister of The Bahamas The Hon. Hubert Ingraham, was commended for his "vision and commitment to action" in support of protected areas. The CCI is intended to transform the Caribbean's approach to conservation so that member countries can sustainably manage their natural resources over the long-term.

In 2012, the Caribbean Biodiversity Fund (CBF), was launched to support the financial



Former Minister of Environment for The Bahamas - The Hon. Earl Deveaux with Eleanor Philips (left), TNC's Director of External Affairs for the Caribbean Program and Rebecca Patton - TNC's former Director of Global Strategies, at the launch of the CCI at a GLISPA event in Bonn Germany in 2008.
Photo credit: Bahamas Weekly



management of protected areas in member countries. The objective of the CBF is to support the “conservation, protection and maintenance” of biodiversity in protected areas and other environmentally significant areas, in participating countries. Participating countries are required to establish National Conservation Trust Funds (NCTF), to augment the resources from the CBF and support the flow of funding to local partners. BPAF, was established in 2014, 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.

BPAF is independently governed and administered by a Board of Directors. The Fund also works closely with the Ministry of Environment, Bahamas Environment Science and Technology Commission (BEST) and other local partners. 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, sale of property, service fees, investment income, taxes and fines. Revenues may be held for general operations or within an endowment, sinking, revolving or other fund, as the Board may determine.

Grant funding from BPAF will be available to protected area managers, various agencies or

ministries of the Government, other NGOs, universities, private organizations, community-based groups and other groups whose activities are synonymous with the purposes and goals of BPAF.

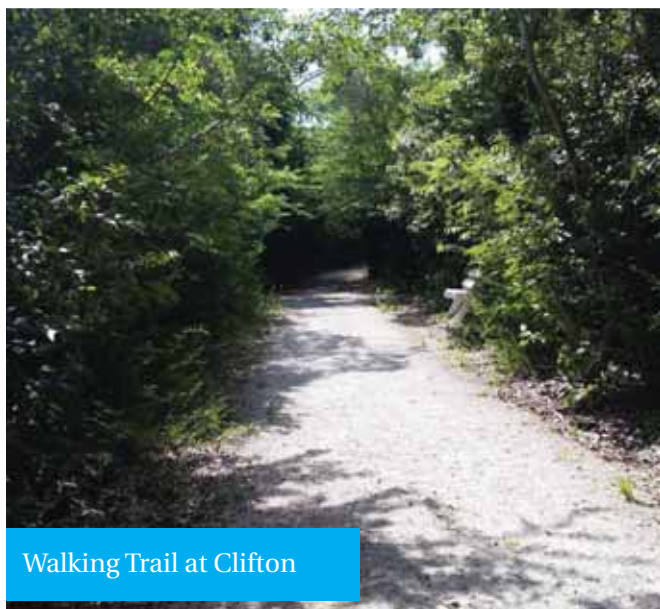
Bahamas National Protected Areas System

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 islands and cays with a total land area of approximately 3.444M 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 more 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.

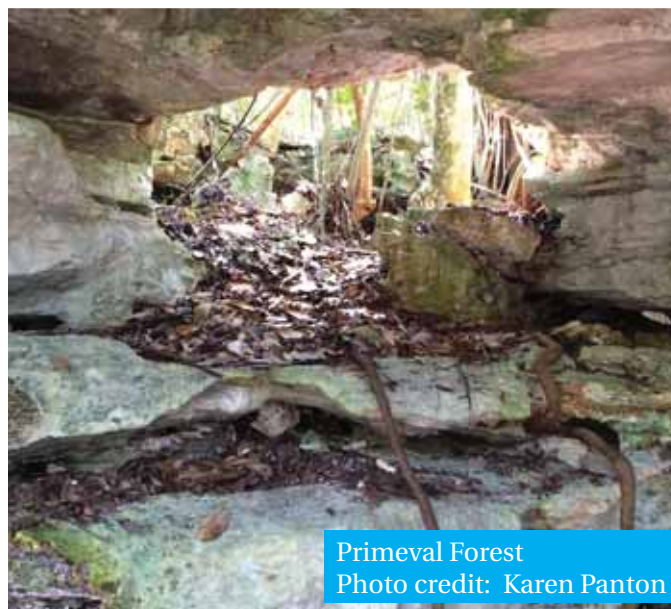
The Bahamas recognized the need to establish, protect and preserve important biodiversity resources quite early. In 1958, the first Marine Protected Area (MPA) in The Bahamas was established - the Exuma Cays Land and Sea Park. It is reputed to be the first of its kind in

the world and became an exclusive no-take area in 1986. A National Creek and Wetlands Initiative commenced in 1999 and forty creek systems countrywide 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 of Work on Protected Areas (PoWPA). During this meeting The Bahamas also stated 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



Walking Trail at Clifton



Primeval Forest
Photo credit: Karen Panton

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, which 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, a Capacity Action Plan and a Sustainable Finance Plan. The project also incorporated climate change and its impact on biodiversity and conservation.

In 2015, the Government of The Bahamas declared a further 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 of marine and terrestrial protected areas

may be found across The Bahamas including national parks, marine reserves, conservation forests, forest reserves 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 and the Clifton Heritage Authority. Other organizations support the efforts and activities of PA Managers including the Bahamas Environment, Science and Technology Commission (BEST), The Nature Conservancy, the Bahamas Reef Environment Educational Foundation (BREEF) and the University of The Bahamas among numerous others local and international organizations.

In September 2018, in an effort to ensure that the country's 2020 targets are met, The Nature Conservancy, the Bahamas National Trust and Bahamas Reef Environmental Education Foundation together under the "Bahamas Protected Project" presented the Government of The Bahamas with the *20-by-20 White Paper: Marine Protection Plan for Expanding The Bahamas Marine Protected Areas Network (September 2018)*. The plan consolidates the outputs of marine gap analysis and stakehold-



Bahamas Project Partners (TNC, BNT & BREEF) submits Marine Protection Plan to Government -September 2018.
Photo credit: Eric Rose

er consultations to propose 43 new MPAs to the Government for legal establishment. If endorsed and approved these new areas will add 8,111,661 acres (3,282,674 hectares) to our nation's protected marine areas, which will exceed the 2020 marine goal.

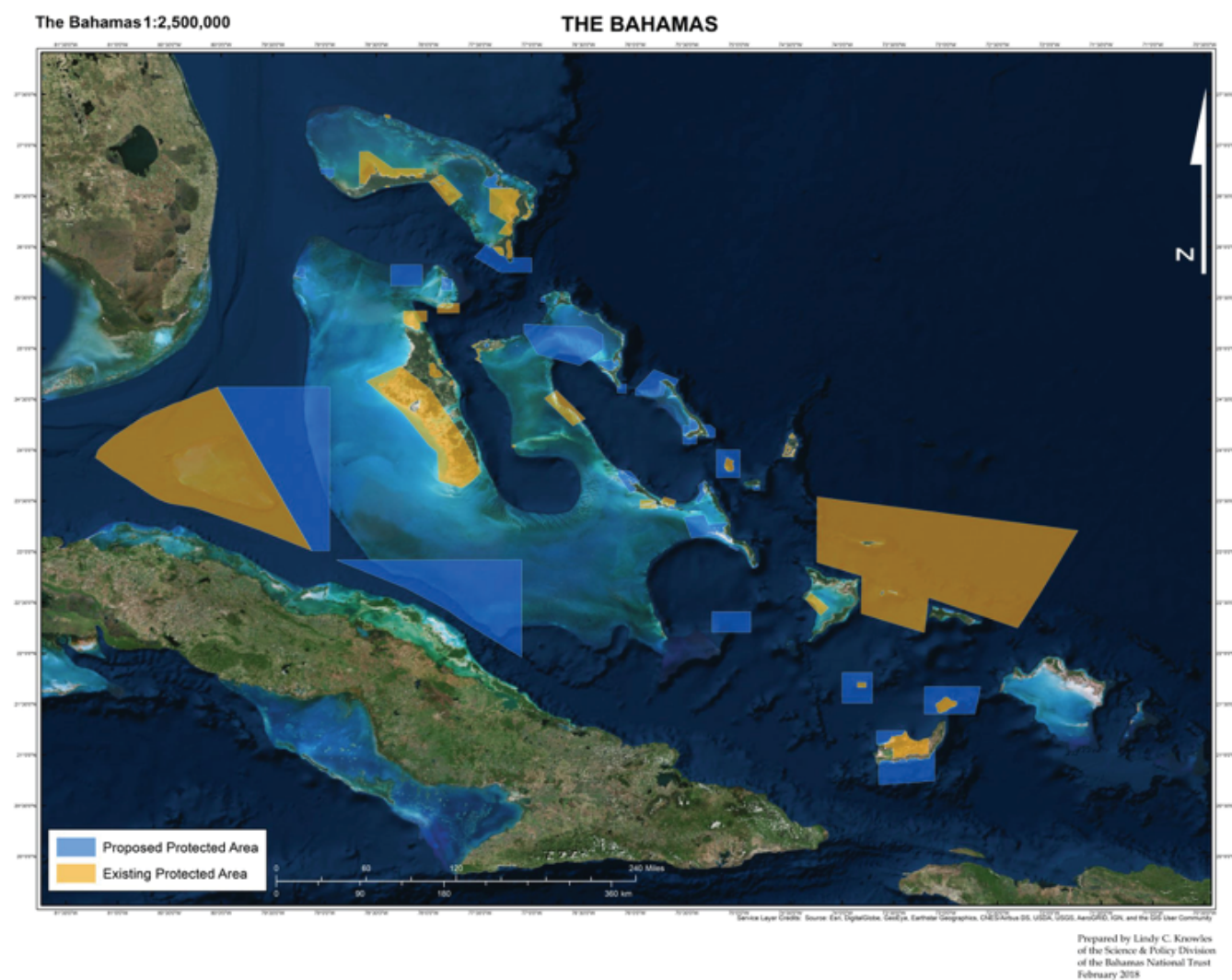
Proposed sites in the Plan include the Expansion of Cay Sal Marine Managed Area - 2.8M acres, declaration of Southwest Great Bahama Bank (Columbus Bank) Marine Managed Area - 2.2M acres, West Schooner Cays Marine Managed Area (Eleuthera) - 615K acres, South Inagua - 359K acres and Cape Verde (Ragged

Island)-213K acres.

The proposed and existing protected areas are indicated on the map below.

The Caribbean Challenge Initiative and the Caribbean Biodiversity Fund

To meet its commitments under the UN Convention on Biological Diversity, The Bahamas became one of the original countries to join the Caribbean Challenge Initiative (CCI). By joining the CCI, the Bahamas, like other Caribbean member countries, has access to financial,



Map. 1 The Bahamas National Protected Areas System - existing and proposed areas to meet the 20% goal by 2020.
(Lindy Knowles, BNT)

political and technical support at a scale far in excess of national levels.

The CBF, funded by the German Government (BMZ and KfW), The World Bank Group, Global Environment Facility and The Nature Conservancy, is a \$70M regional endowment intended to provide a reliable flow of funds to support the 2020 goals and the region's broader conservation aims including the 2030 Agenda. The CBF supports in particular Sustainable Development Goal 14 - Life Under Water, for each participating country.

BPAF is an active participant in the CBF financial structure. We participate in regular board meetings, trainings, webinars and face-to-face meetings. We attended the sixth AGM of the CBF and the third CCI-CBF Week in Miami,

Florida in June 2018. The discussions on resource mobilization for NCTFs were robust and helpful. For BPAF to sign the Partnership Agreement with the CBF and access funding earmarked for The Bahamas however, certain sections of BPAF's Act require amendment to ensure that the Board can maintain its independence. The Board has had extensive interactions with the CBF regarding the required amendments and has worked with TNC on a draft, which was submitted to the Government for approval. We are pleased to report that the Minister of Environment supported and championed the amendments through Cabinet and secured Cabinet's approval to proceed with the process of amending the Act.



BPAF Represented at the Third CCI-CBF Week in Miami, Florida in June 2018. Beginning with third from right, former Board Member George Maillis, Karen Panton - Executive Director and His Excellency Reuben Rahming M.P., Ambassador to CARICOM.

GOVERNANCE AND MANAGEMENT

Powers and Duties of Board of Directors

The BPAF is governed and administered by a Board of Directors. The BPAF Act 2014, Section 16, lists the principle powers and duties of the Board including:

- 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.
- The 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. This includes the prudent management of the Fund's assets, ensuring compliance with its purpose, transparent operations, clear accountability and the absence of unnecessary risks.

THE CURRENT BOARD OF DIRECTORS



Kelley Bostwick-Toote
Chairperson



Stacey Moultrie
Vice Chairperson



Eric Carey
Member



Earl Deveau
Member



Ashley Henderson
Member



Colin Higgs
Member



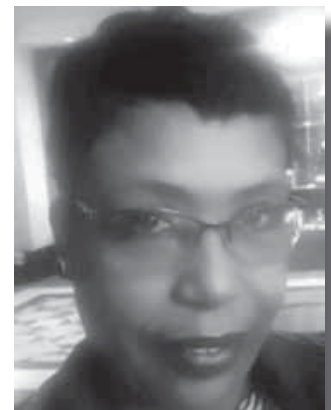
Robert Lotmore
Member



Bruno Roberts
Member



Shenique Smith
Member



Patrice Wallace
Member



Board Committees

BPAF current structure allows for an Executive Committee (comprised of the Chairperson, Vice Chair and Treasurer) in addition to a Finance/ Investment Committee and a Fund-raising Committee that will be established in 2019.

The Board will also appoint the Grants Review Committee in 2019 to assist the Board with the vetting and review of applications under its Grants Program.

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. She performs all duties incidental to the Secretary of the Board and all such duties as assigned by the Board of Directors. The Executive Director and the Chairperson are the legal representatives of the Fund.



Karen Panton (second from left), with colleagues from sister trust funds in the CBF at the Third Week in Miami Florida, June 2018

ON-GOING ACTIVITIES

AMENDMENT OF THE BPAF ACT AND IDENTIFICATION OF SUSTAINABLE FINANCE MECHANISMS

Amendments to the Act

The Legal Committee of the Board worked closely with The Nature Conservancy and Caribbean Biodiversity Fund during the year to finalize the proposed amendments to the BPAF Act. The amendments were tabled in Cabinet who has provided approval for the amendments to proceed. The amendments are now with the Office of the Attorney General for review and processing.

The amendments will strengthen the independence of the Board and clarify the consultative process with the Minister of Environment. They will also ensure that the process for selecting Board Members is transparent and objective.

Finances & Sustainable Finance Mechanisms

The Fund had assets of \$2.53M through the end of June 2018. Some \$2.5M remains in our Endowment Fund at CFAL - invested in Bahamas Government Registered Stock, US Treasury Notes, local equities and other securities. The investment objective is to realise 3% above the three-rolling average annual rate of inflation. The endowment will act as partial match towards funding anticipated from the CBF.

Revenue from the Endowment Fund, funding

from the CBF and the implemented sustainable financing revenue options will flow to local partners via grants in support of identified goals and priorities. Seventeen funding priorities have been Identified for 2019-2022. (See listing at page 27).

Efforts to secure a consultant to develop detailed plans to implement three of the recommended sustainable finance revenue options were frustrated by inadequate responses to our request for proposals. Despite this set-back the Board remains committed to implementing the mechanisms and has identified contributions from heads of agreements for major developments as the immediate priority to be followed by annual contributions from cruise lines. We have requested a discussion on the redirection of the Environmental Levy to the Fund and made recommendations to the Ministry of Tourism regarding the possibility of a tourism enhancement fund similar in purpose to such funds within the Caribbean.

The financial gap for the management of the System of Protected Areas exceeds \$10M annually. Government supported funding mechanisms will necessarily be complemented by robust grants and fundraising efforts that will continue over the next several years. The Fund plans to contract a grants writer to pursue recommendations flowing from the report by

Innovating Conservation on philanthropic and grants funding opportunities available to BPAF.

Visibility & Outreach

Apart from engaging with the Ministry of Environment, the Fund also interacted with a number of its partners and stakeholders including Clifton Heritage, the Inter-American Development Bank, Economic Development and Planning at the Office of the Prime Minister and the Office of the Bahamas' Ambassador to CARICOM.

BPAF is making a larger allocation of resources for a comprehensive marketing plan that will bring greater visibility to protected areas and our mission. It is our aim to highlight the importance of protected areas and the necessity

of increasing the funding for effective management.

Establishment of the BPAF Office

The Fund is now located at the Old Fort Bay Town Centre due to the generous donation of space by Mr. Terry White, Principal of New Providence Development Co. Ltd. We express our sincere thanks to our former Board Chair, Gail Lockhart Charles who was instrumental in securing the donation.

We would also like to thank Mrs. Shulamit Garburg of Andbank (Bahamas) Ltd, for the substantial donation of furniture for the outfitting of our office.



BPAF visited BNT's Summer Camp - June 2018

Photo credit: Karen Panton



Photo credit: Bahamas National Trust

REGISTER OF PROTECTED AREAS

Name	Island	Acres	Type	Managing Entry
Abaco National Park *	Abaco	22,500	Terrestrial	Bahamas National Trust
Acklins Bight	Acklins & Crooked Island	61,436	Marine	Not Assigned
Adelaide Creek	New Providence	370	Wild Bird Reserve	Min. of Environment & Housing
Andros North Marine Park	Andros	5,000	Marine & Terrestrial	Bahamas National Trust
Andros South Marine Park	Andros	3,500	Marine	Bahamas National Trust
Betty Cay	Exuma	3	Wild Bird Reserve	Min. of Environment & Housing
Big Darby Island	Exuma	499	Wild Bird Reserve	Min. of Environment & Housing
Big Galliot Cay	Exuma	20	Wild Bird Reserve	Min. of Environment & Housing
Big Green Cay	Andros	519	Wild Bird Reserve	Min. of Environment & Housing
Black Sound Cay National Park	Abaco	2	Marine and Terrestrial	Bahamas National Trust
Blue Holes National Park*	Andros	40,000	Terrestrial with freshwater	Bahamas National Trust
Bonefish Pond National Park*	New Providence	1,235	Marine & Terrestrial	Bahamas National Trust
Booby Cay	Mayaguana	121	Marine	Not Assigned
Bottle Cay	Eleuthera	10	Wild Bird Reserve	Min. of Environment & Housing
Cable Beach Golf Course	New Providence		Wild Bird Reserve	Min. of Environment & Housing
Carmichael North	New Providence	1,932	Conservation Forest	Forestry Unit, Min. of Environment
Carmichael South	New Providence	731	Conservation Forest	Forestry Unit, Min. of Environment
Cat Cays	Bimini		Wild Bird Reserve	Min. of Environment & Housing
Cay Sal	Cay Sal	4,162,319	Marine	Not Assigned
Cedar Cay	Eleuthera	5	Wild Bird Reserve	Min. of Environment & Housing
Central Abaco	Abaco	1,323	Protected Forests	Forestry Unit, Min. of Environment
Central Andros	Andros	240,488	Conservation Forest	Forestry Unit, Min. of Environment
Channel Cays & Flat Cay	Exuma	45	Wild Bird Reserve	Min. of Environment & Housing
Cistern Cay (Private)	Exuma		Wild Bird Reserve	Min. of Environment & Housing

Clifton Heritage Park	New Providence	208	Heritage	Clifton Park Authority
Conception Island National Park	Conception Island	30,000	Marine & Terrestrial	Bahamas National Trust
Coral Harbour West	New Providence	1,781	Forest Reserve	Forestry Unit, Min. of Environment
Corry Sounds	New Providence	697	Conservation Forest	Forestry Unit, Min. of Environment
Crab Cay Marine Reserve	Abaco	1,075	Marine Reserve	Department of Marine Resources
Crab Replenishment Reserve *	Andros	4,000	Marine & Terrestrial	Bahamas National Trust
Cross Harbour	Abaco	15,182	Marine	Not Assigned
Deals Creek	Abaco	6,899	Protected Forests	Forestry Unit, Min. of Environment
Dolly Cay	Andros		Wild Bird Reserve	Min. of Environment & Housing
East Abaco Creeks - Cherokee	Abaco	5,902	Marine	Not Assigned
East Abaco Creeks - Snake Cays	Abaco	3,281	Marine	Not Assigned
East Abaco Creeks - The Bight	Abaco	4,062	Marine	Not Assigned
East Grand Bahama	Grand Bahama	55,013	Forest Reserve	Forestry Unit, Min. of Environment
East Grand Bahama	Grand Bahama	120,448	Marine	Not Assigned
East Grand Bahama Cays	Grand Bahama	15,272	Conservation Forest	Forestry Unit, Min. of Environment
Eight Mile Bay	Abaco	32,774	Conservation Forest	Forestry Unit, Min. of Environment
Exuma Cays Land & Sea Park	Exuma	174,194	Marine and Terrestrial	Bahamas National Trust
Finley Cay	Eleuthera	12	Wild Bird Reserve	Min. of Environment & Housing
Fowl Cays National Park	Abaco	3,200	Marine & Terrestrial	Bahamas National Trust
Goat Cay	Cat Island	30	Wild Bird Reserve	Min. of Environment & Housing
Goat Cay	Exuma	30	Wild Bird Reserve	Min. of Environment & Housing
Goulding Cay	New Providence	5	Wild Bird Reserve	Min. of Environment & Housing
Graham's Harbour Iguana & Seabird Nat. Park	San Salvador	5,723	Marine & Terrestrial	Bahamas National Trust
Grassy Creek Cays	Andros	425	Wild Bird Reserve	Min. of Environment & Housing
Green Cay	Andros/ Exuma	2,697	Marine	Not Assigned
Green's Bay National Park	San Salvador	586	Marine	Bahamas National Trust
Guana Cay	Exuma	5	Wild Bird Reserve	Min. of Environment & Housing
Harrold & Wilson's Ponds National Park *	New Providence	250	Terrestrial with freshwater	Bahamas National Trust
Harvey Cay	Exuma	5	Wild Bird Reserve	Min. of Environment & Housing

High Cay	Abaco	20	Wild Bird Reserve	Min. of Environment & Housing
Hogsty Reef	Inagua/ Acklins	12,322	Marine	Not Assigned
Hope Great House	Crooked Island	4	Terrestrial	Bahamas National Trust
Inagua National Park	Inagua	220,000	Terrestrial, RAMSAR	Bahamas National Trust
Joulter Cays **	Andros	92,734	Marine	Not Assigned
Kemps Bay	Andros	31,551	Forest Reserve	Forestry Unit, Min. of Environment
Lake Cunningham	New Providence	173	Wild Bird Reserve	Min. of Environment & Housing
Lakeview	New Providence		Wild Bird Reserve	Min. of Environment & Housing
Leaf Cay	Exuma		Wild Bird Reserve	Min. of Environment & Housing
Leon Levy Native Plant Preserve	Eleuthera	25	Terrestrial, Plant Preserve	Bahamas National Trust
Little Abaco	Abaco	6,671	Conservation Forest	Forestry Unit, Min. of Environment
Little Derby Island	Exuma	336	Wild Bird Reserve	Min. of Environment & Housing
Little Harbour	Abaco	5,399	Protected Forests	Forestry Unit, Min. of Environment
Little Inagua National Park	Inagua	62,800	Marine & Terrestrial	Bahamas National Trust
Little San Salvador	Cat Island	450	Wild Bird Reserve	Min. of Environment & Housing
Lucayan National Park	Grand Bahama	1,937	Marine & Terrestrial	Bahamas National Trust
Mamma Rhoda Cay	Berry Islands	3	Wild Bird Reserve	Min. of Environment & Housing
Mangrove Cay	Andros	14,277	Forest Reserve	Forestry Unit, Min. of Environment
Marine Farm	Crooked Island	4	Terrestrial	Bahamas National Trust
Marls of Abaco	Abaco	214,097	Marine	Not Assigned
Mars Bay	Andros	5,077	Conservation Forest	Forestry Unit, Min. of Environment
Marsh Harbour	Abaco	6,277	Forest Reserve	Forestry Unit, Min. of Environment
Marshall	New Providence	112	Conservation Forest	Forestry Unit, Min. of Environment
Millars Sounds	New Providence	360	Conservation Forest	Forestry Unit, Min. of Environment
Moriah Harbour Cay National Park	Exuma	22,833	Marine and Terrestrial	Bahamas National Trust
No Name Cay Marine Reserve	Abaco	1,213	Marine Reserve	Department of Marine Resources
Normans Castle	Abaco	12,011	Forest Reserve	Forestry Unit, Min. of Environment
Northshore/Gap-Marine	Grand Bahama	233,919	Marine	Not Assigned

Paradise Island	New Providence	699	Wild Bird Reserve	Min. of Environment & Housing
Pelican Cays Land And Sea Park	Abaco	2,100	Marine & Terrestrial	Bahamas National Trust
Perpall Tract *	New Providence	192	Marine	Not Assigned
Peterson Cay National Park	Grand Bahama	1,090	Marine & Terrestrial	Bahamas National Trust
Pigeon Cay	Andros		Wild Bird Reserve	Min. of Environment & Housing
Pigeon Cay (Private)	Exuma		Wild Bird Reserve	Min. of Environment & Housing
Pigeon Creek & Snow Bay National Park	San Salvador	5,060	Marine	Bahamas National Trust
Primeval Forest National Park	New Providence	8	Terrestrial	Bahamas National Trust
Prospect Ridge	New Providence		Wild Bird Reserve	Min. of Environment & Housing
Prospect Water Works	New Providence		Wild Bird Reserve	Min. of Environment & Housing
Rand Nature Centre *	Grand Bahama	100	Terrestrial	Bahamas National Trust
Red Bays	Andros	15,063	Forest Reserve	Forestry Unit, Min. of Environment
Red Sound	New Providence		Wild Bird Reserve	Min. of Environment & Housing
Rock off Hog Cay	Exuma	3	Wild Bird Reserve	Min. of Environment & Housing
San Andros	Andros	57,834	Forest Reserve	Forestry Unit, Min. of Environment
Sandy Point	Abaco	48,947	Conservation Forest	Forestry Unit, Min. of Environment
Sea Breeze	New Providence	233	Conservation Forest	Forestry Unit, Min. of Environment
Sister Rocks	Andros		Wild Bird Reserve	Min. of Environment & Housing
Skyline Heights	New Providence		Wild Bird Reserve	Min. of Environment & Housing
South Abaco Blue Holes National Park	Abaco	31,833	Marine	Not Assigned
South Berry Islands Marine Reserve	Berry Islands	63,005	Marine Reserve	Department of Marine Resources
South Bight	Andros	4,670	Forest Reserve	Forestry Unit, Min. of Environment
South West Marine Managed Area	New Providence	18,222	Marine	Not Assigned
Southeastern Bahamas Marine Managed Area	Crooked Island Acklins Mayaguana	6,053,010	Marine	Not Assigned
Southern Great Lake National Park	San Salvador	4,068	Terrestrial with freshwater	Bahamas National Trust
Stafford Creek	Andros	57,909	Protected Forests	Forestry Unit, Min. of Environment

Sweet Bread	Abaco	7,006	Protected Forests	Forestry Unit, Min. of Environment
The Caves	New Providence		Wild Bird Reserve	Min. of Environment & Housing
The Exuma (Jewfish Cay) Marine Reserve	Exuma	37,165	Marine Reserve	Department of Marine Resources
The Retreat	New Providence	11	Terrestrial	Bahamas National Trust
Tilloo Cay Reserve	Abaco	11	Terrestrial	Bahamas National Trust
Twin Lakes	New Providence		Wild Bird Reserve	Min. of Environment & Housing
Union Creek Reserve	Inagua	6,150	Marine	Bahamas National Trust
Walker's Cay National Park	Abaco	5,800	Marine	Bahamas National Trust
Washerwoman Cut Cays	Andros	195	Wild Bird Reserve	Min. of Environment & Housing
Water Cay	Eleuthera	7	Wild Bird Reserve	Min. of Environment & Housing
Waterloo	New Providence	494	Wild Bird Reserve	Min. of Environment & Housing
West Coast Marine Park	San Salvador	10,313	Marine	Bahamas National Trust
West Side National Park *	Andros	1,500,000	Marine & Terrestrial	Bahamas National Trust
Westward Villas	New Providence		Wild Bird Reserve	Min. of Environment & Housing
Wood Cay	Eleuthera	15	Wild Bird Reserve	Min. of Environment & Housing
Total Sq. Acres		13,901,630		

* Also considered Conservation Forest

** Also considered Wild Bird Sanctuary

PROTECTED AREAS MANAGERS

BPAF is mandated to support the work of the Bahamas National Trust, the Forestry Unit of the Ministry of Environment, the Department of Marine Resources and Clifton Heritage.

We are pleased to report that apart from the amendments to the BPAF Act, important amendments are also underway to the Forestry Act of 2014 and the Bahamas National Trust Act 2010.

The Forestry Act 2014 is being repealed and replaced with the Forestry Act 2019 that will facilitate the following:

- Establishment of a Forestry Department;
- Provision for the Minister of Environment to become a Corporation Sol where lands can be vested to the Minister, thus allowing the Establishment of the National Forest Estate

- Establishment of a Forestry Development Fund; and
- Establishment of a Bahamas Society of Foresters and Natural Resource Professionals.

The final draft has been forwarded to the Department of Legal Affairs for final vetting and advancement.

The Forestry (amendment) Regulations, 2018 Second Schedule, was approved by Cabinet, and forwarded to the Cabinet Office for gazettment. Once gazetted, the Regulations provide the fees and royalties for timber and non-timber forest products. It is expected that the replacement bill will be enacted in 2019 that will include the declaration of the New Forest Estate.



Photo credit: Jakob Owens

2019-2022 FISCAL YEAR OBJECTIVES

The five key objectives of the Fund for 2019-2022 include:

1. Increasing sustainable financing for protected areas.

- Execute the Partnership Agreement with the CBF
- Develop a comprehensive financial strategy
- Develop a fundraising plan
- Implement 2-3 sustainable revenue options
- Pursue local and international grants

2. Increasing awareness of the Fund

- Develop and implement a communications and marketing plan that includes:
 - > Quarterly updates for the Ministry of Environment, donors and others

> Updates to BPAF's website and social media platforms

> Radio and televisions spots

3. Developing partnerships - with key local, regional and international stakeholders

4. Implementing the Grants Program

- Secure Funding
- Develop online Grants Program
- Launch cycle and award grants

5. Ensuring effective operation of the Fund

- Ensure compliance with BPAF Act
- Complete capacity assessment of the Fund
- Develop capacity action plan

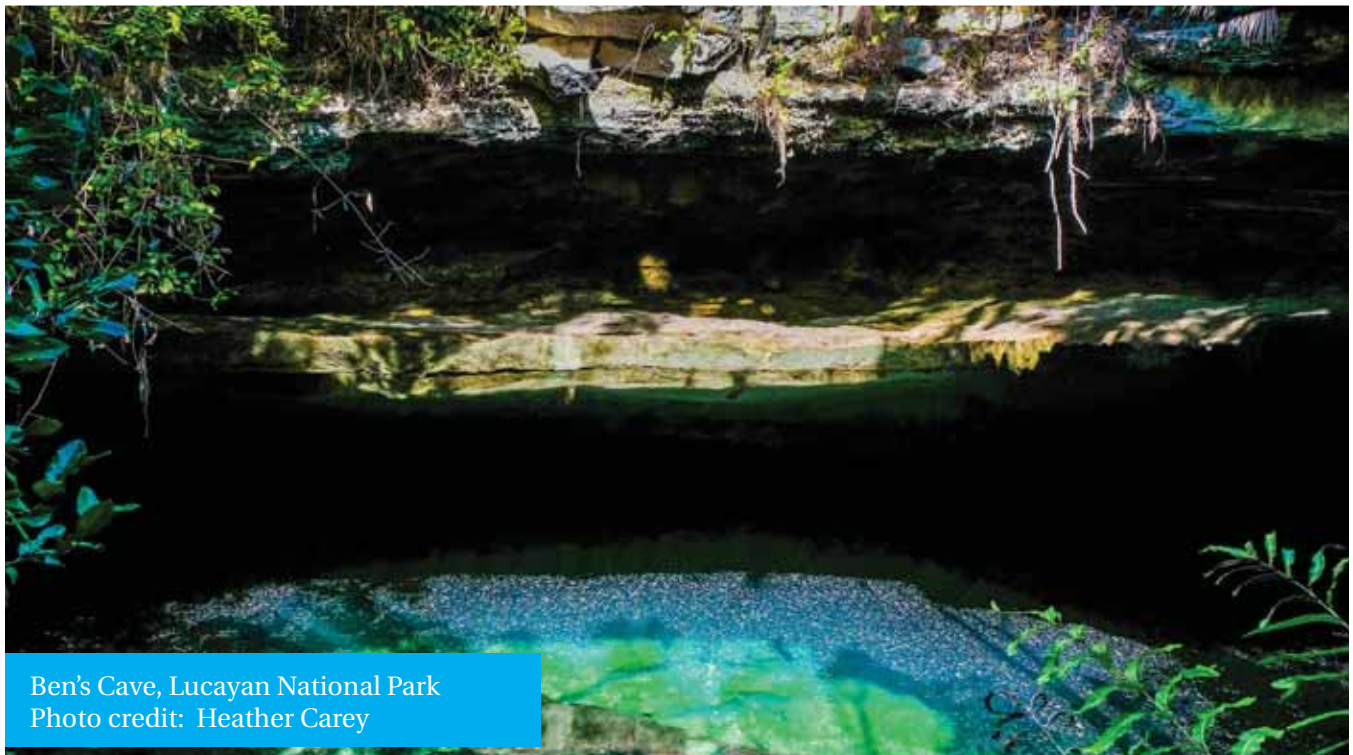


Inagua National Park
Photo credit: Patricia Vazquez

2019 CORE ACTIVITIES

The Fund's core focus for 2019 include:

- Executing the Partnership Agreement with the CBF
- Populating Board Committees
- Implementing at least one Sustainable Revenue Option
- Developing and Implementing a 4-year Fundraising Plan
- Grants Writing
- Developing the online Grants Program
- Developing and Implementing a Comprehensive Marketing and Communications Plan
- Building/Strengthening Key Partnerships
- Completing the Capacity Assessment of the Fund and Developing a Capacity Action Plan



Ben's Cave, Lucayan National Park
Photo credit: Heather Carey

2019-2022 GRANTS FUNDING PRIORITIES

Presented below is the table of key activities that will be funded through the Grants Program. The priorities were identified through robust stakeholder engagement and a review of national priorities.

Category		Activities for Funding Priority
Supporting achievement of The Bahamas 20% conservation goal	1	Research in conservation priority areas.
	2	Expansion of existing protected areas to include conservation priority areas.
	3	Public awareness campaign about benefits of protected areas and BNPAS. ¹
	4	Creation of an enabling environment - building political will, community outreach, data management, and legislative reform. ²
Addressing key threats to eco-system health	5	Development of a comprehensive research program for the BNPAS with identification of potential monitoring indicators for protected areas in The Bahamas.
	6	Development of a threat assessment tool to improve threat detection, abatement and management.
	7	Implement 2013 National Invasive Species Strategy in protected areas.
	8	Improving climate resilience of protected areas.
Improving management effectiveness	9	Development and implementation of management plans.
	10	Mapping of protected areas, inclusive of boundaries and biodiversity inventories.
	11	Development of research or monitoring programme.
	12	Improvement in infrastructure – including a data management platform.
	13	Development of staff needs assessment plan.
	14	Skills training for protected area managers.
	15	Development of sustainable finance plans or business plans for protected areas.
	16	Implementation of sustainable revenue options (e.g. user fee systems).
	17	Development and implementation of partnership agreements which support effective enforcement, promote compliance, and foster more inclusive governance of protected areas.

¹This is also a priority under Improving management effectiveness.

²This is also a priority under Improving management effectiveness.

OUR PARTNERS

Thank you to all of our partners, donors and stakeholders who have supported us during the year!

We especially thank the Minister of Environment - the Hon. Romauld Ferreira, and his team at the Ministry of Environment, The Nature Conservancy, Bahamas National Trust, Bahamas Reef Environment Educational Foundation, BEST Commission, and Clifton Heritage.

Thank you to Yabanex Batista, Karen McDonald-Gayle and Camilla Monteiro of the Caribbean Biodiversity Fund. After much hand holding, we are excited to be on that final lap that will formalize the relationship between

our two Funds and secure our place in the Caribbean Sustainable Financing Architecture.

To the WAITT Foundation - your continued support makes our work possible. Thank you!

And finally, we are grateful to those very special persons who were a part of our achievements in 2018-Gail Lockhart Charles, Lisa Benjamin, George Maillis, Casuarina wney-Lambert, Jonathan Rotter (TNC), Terry White of New Providence Development Co. Ltd and Shulamit Garbur of Andbank (Bahamas) Ltd.



INDEPENDENT AUDITOR'S REPORT

Financial Statements of

THE BAHAMAS PROTECTED AREAS FUND

June 30, 2018

THE BAHAMAS PROTECTED AREAS FUND

Financial Statements

June 30, 2018

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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, 2018 and the statements of comprehensive loss, 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, 2018, 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 *Auditors' 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**

January 29, 2019
Nassau, Bahamas

THE BAHAMAS PROTECTED AREAS FUND

Statement of Financial Position

June 30, 2018

(Expressed in Bahamian dollars)

	2018	2017
ASSETS		
Current assets		
Cash on hand and at bank (Note 4)	\$ 193,702	\$ 732,246
Cash at broker - restricted (Note 5)	375,297	-
Term deposit	-	2,002,619
Available-for-sale investments (Note 6)	2,101,808	-
Interest receivable	24,477	1,390
Total current assets	2,695,284	2,736,255
Non-current assets		
Fixed assets	853	1,279
Total assets	2,696,137	2,737,534
LIABILITIES		
Accounts payable and accrued expenses	27,129	9,000
Deferred grant (Note 7)	136,268	165,680
Total liabilities	163,397	174,680
NET ASSETS	\$2,532,740	\$2,562,854
FUND BALANCES	\$2,532,740	\$2,562,854

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

These financial statements were approved on behalf of the Board of Directors on January 29, 2019 and signed on its behalf by:

Chairperson

Director

THE BAHAMAS PROTECTED AREAS FUND

Statement of Comprehensive Loss

For the year ended June 30, 2018

	2018	2017
INCOME		
Grant (Note 7)	\$129,412	\$29,820
Interest income	22,273	749
Dividends	1,293	-
	152,978	30,569
EXPENSES		
General and administrative (Note 9)	82,990	11,709
Payroll	78,775	19,748
Realized loss on sale of available-for-sale investments	4,477	-
	166,242	31,457
Net operating loss	(13,264)	(888)
OTHER COMPREHENSIVE LOSS		
<i>Item that may be reclassified subsequently to profit or loss</i>		
Net change in fair value of available-for-sale investments (Note 6)	(16,850)	-
NET LOSS AND TOTAL COMPREHENSIVE LOSS	\$(30,114)	(888)
Total comprehensive loss is represented by:		
Total comprehensive loss of the General Fund	\$(36,830)	\$(1,637)
Total comprehensive income of the Endowment Fund	6,716	749
	\$(30,114)	\$ (888)

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, 2018

	Endowment Fund	General Fund	Total
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
Total comprehensive income/(loss):			
Net income/(loss)	23,566	(36,830)	(13,264)
Other comprehensive loss	(16,850)	-	(16,850)
	6,716	(36,830)	(30,114)
FUND BALANCE AS AT JUNE 30, 2018	\$2,509,383	\$ 23,357	\$2,532,740

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, 2018

	2018	2017
Cash flows from operating activities:		
Net loss	\$ (30,114)	\$ (888)
Adjustment to reconcile net loss to cash provided by operating activities:		
Interest	(22,273)	(749)
Depreciation	426	-
Realized gain on sale of investment	4,477	-
Net change in unrealized loss on available-for-sale investments	16,850	-
Cash used in operations before changes in operating assets and liabilities	(30,634)	(1,637)
Increase in operating assets:		
Interest receivable	(814)	(1,342)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	18,129	4,500
Deferred grant	(29,412)	70,180
Net cash (used in) provided by operating activities	(42,731)	71,701
Cash flows from investing activities:		
Increase in cash at broker - restricted	(375,297)	-
Purchase of fixed assets	-	(1,279)
Payments on purchase of available-for-sale investments	(4,055,164)	-
Proceeds from sale of available-for-sale investments	1,932,029	-
Decrease in term deposit	2,002,619	-
Net cash used in investing activities	(495,813)	(1,279)
Net (decrease) increase in cash and cash equivalents	(538,544)	70,422
Cash and cash equivalents, beginning of the year	732,246	661,824
CASH AND CASH EQUIVALENTS, END OF THE YEAR	\$ 193,702	\$732,246
Represented by:		
Cash on hand	\$ 350	\$ 500
Cash at bank	193,352	731,746
	\$ 193,702	\$ 732,246

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

THE BAHAMAS PROTECTED AREAS FUND

Notes to Financial Statements

June 30, 2018

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 January 29, 2019.

2. ADOPTION OF NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS

At the date of these financial statements, the following standards and amendments to the existing standards issued by the International Accounting Standards Board ("the IASB") 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 3 (amendments)	-	Clarifying Definition of a Business - effective from January 1, 2020
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
IFRS 17	-	Insurance Contracts - effective from January 1, 2021
IAS 40 (amendments)	-	Transfers of Investment Property - effective from July 1, 2018
IFRIC 22	-	Foreign Currency Transactions and Advance Consideration - effective from January 1, 2018

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.

THE BAHAMAS PROTECTED AREAS FUND

Notes to Financial Statements

June 30, 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 10 - Fair value of financial instruments
- Note 11 - Financial risk management

d. Financial assets and liabilities

The Fund classifies its financial assets into the following categories: available-for-sale financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets. Management determines the classification at the time of initial recognition.

(i) Available-for-sale financial assets

Available-for-sale ("AFS") financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. AFS investments are those intended to be held for the long-term but which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or prices. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, are recognized in other comprehensive loss. Available-for-sale financial assets comprise available-for-sale investments.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognized at fair value. Subsequently, they are measured at amortized cost using the effective interest method less impairments losses, if any. Balances included in this classification are cash on hand and at bank, term deposit and interest receivable.

THE BAHAMAS PROTECTED AREAS FUND

Notes to Financial Statements

June 30, 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Financial assets and liabilities (continued)

Interest receivable

Interest receivable represents accrued interest receivable on available-for-sale investments.

Available-for-sale investments

Available-for-sale investments are carried at fair value based on the following:

- (i) The Fund measures investments in mutual funds at fair value based on the latest available net asset value per share of the mutual fund.
- (ii) Debt and equity securities are measured at fair value based on quoted market prices at the close of trading on the reporting date for that instrument in an active market. Financial assets are regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Unrealized gains and losses arising from changes in the fair value of available-for-sale investments are recognized in other comprehensive income.

Impairment of financial assets

The carrying amounts of the Fund's financial 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 loss. 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.

Fair value hierarchy

The Fund measures fair values using the following fair value hierarchy that reflects the significance of the inputs in making the measurements:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 - Inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

THE BAHAMAS PROTECTED AREAS FUND

Notes to Financial Statements

June 30, 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d. Financial assets and liabilities (continued)

Fair value hierarchy (continued)

The level in the fair value hierarchy within which the fair value measurement is categorized is determined on the basis of the lowest level input that is significant to the fair value measurement. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, the measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability.

The determination of what constitutes "observable" requires significant judgment by the Fund. The Fund considers observable data to be market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

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.

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 of the General Fund.

THE BAHAMAS PROTECTED AREAS FUND

Notes to Financial Statements

June 30, 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Exchange differences arising on retranslations are included in the statement of comprehensive loss.

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

Grants

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

Interest income

Interest income is recognized on an accrual basis using the effective interest rate method.

Dividend income

Dividend income is recognized when the Fund's right to receive payment is established.

All other income and expenses are recognized on the accrual basis.

4. CASH ON HAND AND AT BANK

As at June 30, 2018, cash on hand and at bank are as follows:

	2018	2017
General Fund:		
Cash on hand	\$ 350	\$ 500
Cash at bank		
RBC Royal Bank (Bahamas) Limited - main account	181,204	198,675
RBC Royal Bank (Bahamas) Limited - operating	12,148	33,302
RBC Royal Bank (Bahamas) Limited - restricted	-	499,769
	\$193,702	\$732,246

THE BAHAMAS PROTECTED AREAS FUND

Notes to Financial Statements

June 30, 2018

5. CASH AT BROKER - RESTRICTED

	2018	2017
Endowment Fund:		
Cash at broker		
CFAL - Fixed deposit	\$376,387	\$ -
CFAL - USD account	1,511	-
CFAL - CIBC	(2,601)	-
	\$375,297	\$ -

As at June 30, 2018, cash at broker is restricted as this is part of the Endowment Fund. 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. (See also Note 8).

6. AVAILABLE-FOR-SALE INVESTMENTS

As at June 30, 2018, available-for-sale investments are as follows:

	2018		
	Quantity	Cost	Fair value
Equity Securities			
FOCOL Holdings Limited	16,795	\$ 75,983	\$ 57,775
Commonwealth Bank Limited	15,818	74,726	65,645
Fidelity Bank (Bahamas) Limited	2,394	25,151	26,813
		175,860	150,233
Mutual Funds			
CFAL Bond Fund, Ltd.	233,651	500,000	504,640
CFAL Money Market Investment Fund, Ltd. 'A'	30,074	58,563	60,319
		558,563	564,959
Debt Securities			
US Treasury Notes (1.5%, due 31/08/18)	497,000	496,787	496,787
Bahamas Government Registered Stocks:			
3.875% due 15/10/2020	14,200	14,308	14,308
4.250% due 15/10/2022	2,600	2,654	2,654
4.250% due 15/01/2024	120,000	120,484	120,484
Prime + 0.2500% due 04/05/2024	250,000	250,000	250,000
Prime + 0.2500% due 23/02/2028	250,000	250,672	250,672
Prime + 0.0833% due 26/04/2028	150,700	151,308	151,308
Prime + 0.0625% due 26/07/2033	100,000	100,403	100,403
		1,386,616	1,386,616
		\$2,121,039	\$2,101,808

THE BAHAMAS PROTECTED AREAS FUND

Notes to Financial Statements

June 30, 2018

6. AVAILABLE-FOR-SALE INVESTMENTS (continued)

Included in the fund balance of the Endowment Fund is the net change in fair value of available-for-sale investments arising from the re-measurement of these investments to fair value. The movement in the fair value reserve is as follows:

Balance at July 1, 2017	\$ -
Net change in fair value of available-for-sale investments	(16,850)
Balance at June 30, 2018	\$(16,850)

7. DEFERRED GRANT

In 2015, the Fund entered into an operational support agreement with Waitt Foundation (the "Foundation") to provide operational support to the Fund through a 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 renewed the grant to provide for additional funding of up to \$400,000 over a further period of four years. The Fund is responsible for certain deliverables as outlined in the agreement.

Deferred grant represents the deferred portion of the grant received.

The movement in the deferred grant is as follows:

Balance as at June 30, 2016	\$ 95,500
Grant received	100,000
Grant used for approved expenditure	(29,820)
Balance as at June 30, 2017	165,680
Grant received	100,000
Grant used for approved expenditure	(129,412)
Balance as at June 30, 2018	\$136,268

8. 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, 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 of Directors, (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-fourths of the Directors then serving) of the Board.

THE BAHAMAS PROTECTED AREAS FUND

Notes to Financial Statements

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9. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the year were as follows:

	2018	2017
Professional fees	\$54,879	\$ 4,500
Travel and accommodation	13,972	1,658
Website hosting and update	3,000	1,710
Marketing and public relations	2,908	1,500
Bank charges	2,833	1,069
Investment management fees	2,333	-
Office supplies	1,349	419
Others	1,290	853
Depreciation	426	-
	\$82,990	\$11,709

10. 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 their fair values at the reporting date for one or more of the following reasons:

- (i) Short-term maturities;
- (ii) Interest rates approximate market rates; and
- (iii) Carrying values approximate fair values.

Fair value hierarchy

The table below analyses the class of financial instruments measured at fair value by the level in the fair value hierarchy within which the fair value measurement is categorized at the reporting date:

	2018			Total
	Level 1	Level 2	Level 3	
Available-for-sale investments	\$150,233	\$1,951,575	\$ -	\$2,101,808

THE BAHAMAS PROTECTED AREAS FUND

Notes to Financial Statements

June 30, 2018

11. FINANCIAL RISK MANAGEMENT

The Fund's activities expose it to a variety of financial risks: market risk (including, interest rate risk, foreign currency risk and other price risk), credit risk and liquidity risk.

(a) Market risk

Market risk is the possibility that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices.

(i) Interest rate risk

Interest rate risk arises from the effects of fluctuations in the prevailing levels of market interest rates on the fair value or future cash flows of financial assets and liabilities. The fixed deposit held by broker and the investments in debt securities are exposed to interest rate risk. The Fund's strategy takes into consideration the current market conditions, with short-term interest rates at their lowest historical levels, to maximize the return of the Fund while maintaining a high level of liquidity.

Management's best estimates of the effect on net income for the year due to reasonably possible increases in interest rates, with all other variables held constant, are indicated in the table below. The actual results may differ from the sensitivity analysis below and the difference could be material. Equivalent decreases in interest rates by the percentages shown below would result in equivalent but opposite effects to the amounts shown below.

	2018		2017	
	Change in interest rates	Effect on net income	Change in interest rates	Effect on net income
Fixed deposit held by broker	1.0%	\$3,764	-	\$ -
Debt securities	0.5%	\$3,762	-	\$ -
Term deposit	-	\$ -	1.0%	\$20,026

(ii) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Bahamian dollar is the Fund's functional currency. At the reporting date, the Fund's financial instruments are primarily denominated in Bahamian dollars, except for a United States dollar denominated debt security. As the parity between the United States and the Bahamian dollar is unlikely to change in the short-term, the Fund's exposure to any movement in the exchange rate is not considered significant.

(iii) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices (other than those arising from interest rate risk or currency risk). It embodies not only the potential for loss but also the potential for gain. The Fund is exposed to other price risk through its investments in equity securities and mutual funds. Other price risk is mitigated by the Fund maintaining a diversified portfolio of financial instruments.

THE BAHAMAS PROTECTED AREAS FUND

Notes to Financial Statements

June 30, 2018

11. FINANCIAL RISK MANAGEMENT (continued)

(a) Market risk (continued)

(iii) Other price risk (continued)

Management's best estimates of the effect on the Fund's net income due to reasonably possible increases in market prices by the percentages shown, with all other variables remaining constant, are indicated in the table below:

2018			
	1%	5%	10%
Investments in equity securities	\$1,502	\$ 7,512	\$15,023
Investments in mutual funds	\$5,650	\$28,248	\$56,496

Equal decreases in market prices would have decreased net income by the same amounts.

(b) Credit risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Financial assets which potentially expose the Fund to credit risk consist principally of cash and cash equivalents, term deposit, interest receivable and investments in debt securities.

The Fund manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and by monitoring exposures in relation to such limits. The Fund seeks to mitigate its exposure to credit risk by placing its financial assets with reputable financial institutions. At June 30, 2018, the maximum exposure to credit risk before any credit enhancements is the carrying amount of the financial assets as set out below:

	2018	2017
<u>Financial assets:</u>		
<u>Available-for-sale investments</u>		
Investments in debt securities	\$1,386,616	\$ -
<u>Loans and receivables</u>		
Cash at bank	193,352	731,746
Cash at broker - restricted	375,297	-
Interest receivable	24,477	1,390
Term deposit	-	2,002,619
	\$1,979,742	\$2,735,755

THE BAHAMAS PROTECTED AREAS FUND

Notes to Financial Statements

June 30, 2018

11. FINANCIAL RISK MANAGEMENT (continued)

(c) 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, 2018 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
2018			
Financial liabilities			
Accounts payable and accrued expenses	\$27,129	\$ -	\$27,129
	0 – 3 months	3 – 12 months	Total
2017			
Financial liabilities			
Accounts payable and accrued expenses	\$ 9,000	\$ -	\$ 9,000

12. 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 8.

See Independent Auditors' Report on pages 1 to 3.

