

Financial Statements of

THE BAHAMAS PROTECTED AREAS FUND

June 30, 2022

THE BAHAMAS PROTECTED AREAS FUND

Financial Statements

June 30, 2022

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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, 2022, and the statements of comprehensive 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, 2022, 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 and the 2019 Amendments ("the Act"), the accounting records required by the Act to be kept by the Fund, of which we are the auditors, have been kept in accordance with the provisions of the Act.

A handwritten signature in black ink that reads "Baker Tilly". The signature is written in a cursive, flowing style.

CHARTERED ACCOUNTANTS

August 15, 2023
Nassau, Bahamas

THE BAHAMAS PROTECTED AREAS FUND

Statement of Financial Position


June 30, 2022

(Expressed in Bahamian dollars)

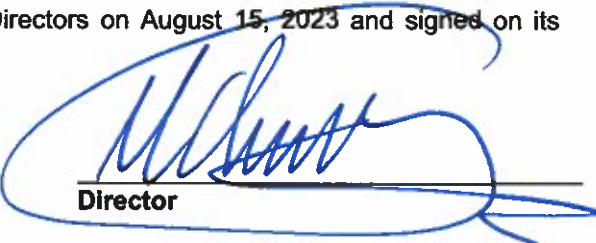
	2022	2021
ASSETS		
Current assets		
Cash and cash equivalents (Note 4)	\$ 131,260	\$ 303,410
Cash at broker - restricted (Note 5)	15,540	118,356
Term deposit	5,000	5,000
Financial assets at fair value through profit or loss (Note 6)	2,767,905	2,670,361
Interest receivable	25,139	27,148
Grants receivable (Note 7)	154,248	-
Prepayments	2,953	2,752
Total current assets	3,102,045	3,127,027
Non-current assets		
Fixed assets	6,721	8,888
Total assets	3,108,766	3,135,915
LIABILITIES		
Bank overdraft (Note 4)	55,660	-
Accounts payable and accrued expenses	6,913	10,593
Deferred grants (Note 7)	78,819	297,946
Total liabilities	141,392	308,539
NET ASSETS	\$2,967,374	\$2,827,376
FUND BALANCES (Note 8)	\$2,967,374	\$2,827,376

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

These financial statements were approved by the Board of Directors on August 15, 2023 and signed on its behalf by the following:



Chairperson



Director

THE BAHAMAS PROTECTED AREAS FUND

Statement of Comprehensive Income

For the year ended June 30, 2022

	2022	2021
INCOME		
Grants (Note 7)	\$ 823,375	\$250,135
Donations	243,288	94,302
Interest income	70,164	78,368
Dividends	18,106	16,160
Realized gain on sale of financial assets at FVTPL	2,988	3,287
Net change in unrealized gain on financial assets at FVTPL	-	70,147
Total income	1,157,921	512,399
EXPENSES		
Grants disbursed	840,378	150,340
General and administrative (Note 9)	138,765	147,011
Net change in unrealized loss on financial assets at FVTPL	38,780	-
Total expenses	1,017,923	297,351
Net income and total comprehensive income	\$ 139,998	\$215,048
Total comprehensive income is represented by:		
Total comprehensive income of the General Fund	\$ 51,728	\$ 50,373
Total comprehensive income of the Endowment Fund	88,270	164,675
	\$ 139,998	\$215,048

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, 2022

	Endowment Fund	General Fund	Total
FUND BALANCES AS AT JUNE 30, 2020	\$2,656,537	\$(44,209)	\$2,612,328
Total comprehensive income	164,675	50,373	215,048
FUND BALANCES AS AT JUNE 30, 2021	2,821,212	6,164	2,827,376
Total comprehensive income	88,270	51,728	139,998
FUND BALANCES AS AT JUNE 30, 2022	\$2,909,482	\$ 57,892	\$2,967,374

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, 2022

	2022	2021
Cash flows from operating activities:		
Net income	\$ 139,998	\$ 215,048
Adjustments to reconcile net income to net cash (used in)/provided by operating activities:		
Interest income	(70,164)	(78,368)
Donation	-	(3,774)
Depreciation	2,167	2,334
Realized loss/(gain) on sale of financial assets at FVTPL	4,406	(3,287)
Net change in unrealized loss/(gain) on financial assets at FVTPL	38,780	(70,147)
Cash provided by operations before changes in operating assets and liabilities	115,187	61,806
Decrease/(increase) in operating assets:		
Interest receivable	2,009	1,077
Grants receivable	(154,248)	-
Prepayments	(201)	2,556
(Decrease)/increase in operating liabilities:		
Accounts payable and accrued expenses	(3,680)	(13,955)
Deferred grants	(219,127)	9,527
Net cash (used in)/provided by operating activities	(260,060)	61,011
Cash flows from investing activities:		
Interest received	70,164	78,368
Decrease/(increase) in cash at broker - restricted	102,816	(110,903)
Purchase of fixed assets	-	(3,102)
Payments on purchase of financial assets at FVTPL	(192,230)	(144,031)
Proceeds from sale of financial assets at FVTPL	51,500	167,746
Net cash provided by/(used in) investing activities	32,250	(11,922)
Net (decrease)/increase in cash and cash equivalents	(227,810)	49,089
Cash and cash equivalents, beginning of the year	303,410	254,321
CASH AND CASH EQUIVALENTS, END OF THE YEAR	\$ 75,600	\$ 303,410
Represented by (Note 4):		
Cash on hand	\$ 733	\$ 498
Cash at bank	130,527	302,912
Bank overdraft	(55,660)	-
	\$ 75,600	\$ 303,410

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

THE BAHAMAS PROTECTED AREAS FUND

Notes to Financial Statements

June 30, 2022

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 scientific and policy research and education, conservation and management of protected areas and programs. The affairs of the Fund are administered by a board of directors.

The Fund maintains the following funds:

- General Fund

The Fund, by all or any recognized means, raises funds for the furtherance of the Fund's purposes and applies the same in accordance with the provisions of the Act.

- Endowment Fund

The Endowment Fund represents a restricted fund balance and no part of its capital may be disbursed for grants or administrative and operating costs, unless otherwise approved by a unanimous vote of all board members.

The principal administrative office of the Fund is located at Old Fort Bay Town Center, Building #4, Unit 7, Nassau, The Bahamas.

The financial statements were authorized to be issued by the Board of Directors of the Fund on August 15, 2023.

2. ADOPTION OF NEW STANDARDS AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS

At the date of these financial statements, the following standard 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 3 (amendments)	-	Business Combinations - amendments to update a reference to the Conceptual Framework - effective from January 1, 2022
IFRS 9 (amendment)	-	Financial Instruments - amendment to clarify which fees an entity includes when it applies the 10% test in assessing whether to derecognize a financial liability - effective from January 1, 2022
IFRS 16 (amendment)	-	Leases - amendment to Illustrative Example 13 accompanying IFRS 16 that clarifies the treatment of lease incentives - effective from January 1, 2022
IFRS 17	-	Insurance Contracts - effective from January 1, 2023
IAS 1 (amendments)	-	Presentation of Financial Statements - amendments in the classification of liabilities as current or non-current - effective from January 1, 2023

THE BAHAMAS PROTECTED AREAS FUND

Notes to Financial Statements

June 30, 2022

2. ADOPTION OF NEW STANDARDS AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

- IAS 16 (amendments) - Property, Plant and Equipment - amendments accounting for proceeds from sale of items produced while bringing an asset into the location and condition necessary for it to be capable of operating in the manner intended by management - effective from January 1, 2022

- IAS 37 (amendments) - Provisions, Contingent Liabilities and Contingent Assets - amendments to specify costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous - effective from January 1, 2022

The Board of Directors is in the process of determining the effects, if any, on the financial statements of the adoption of such standard and amendments to the existing standards.

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 to all periods presented, unless otherwise stated.

b. Basis of preparation

These financial statements have been prepared on the historical cost basis, except for financial assets at fair value through profit or loss, which are measured at fair value. 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

THE BAHAMAS PROTECTED AREAS FUND

Notes to Financial Statements

June 30, 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d. Financial assets and liabilities

Financial assets

The Fund classifies its financial assets into the following measurement categories: those to be measured subsequently at fair value through profit or loss and those to be measured at amortized cost. The classification depends on the Fund's business model for managing the financial assets and the instrument's contractual cash flow characteristics.

(i) Financial assets at fair value through profit or loss (FVTPL)

Financial assets at fair value through profit or loss is the classification for instruments that are held for trading or managed and whose performance is evaluated on a fair value basis and are measured at fair value through profit or loss because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets. Financial assets at fair value through profit or loss are initially recognized at fair value. Transaction costs directly attributable to the assets are recorded as an expense. Subsequent to initial recognition, financial assets at FVTPL are re-measured at fair value. Unrealized gains and losses arising from changes in the fair value of these financial assets are recognized in the statement of comprehensive income in net change in unrealized gain/(loss) on financial assets at FVTPL. Balances included in this classification are investments in equity securities, exchange-traded funds, mutual funds, preference shares and debt securities.

(ii) Financial assets at amortized cost

Financial assets at amortized cost apply to instruments for which an entity has a business model to hold financial assets to collect the contractual cash flows, which are solely payments of principal and interest. Subsequent to initial recognition, financial assets at amortized cost are re-measured at amortized cost. Balances included in this classification are cash and cash equivalents, cash at broker - restricted, term deposit and interest receivable.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and at bank. For the purpose of the statement of cash flows, bank overdraft is included as a component of cash and cash equivalents.

Interest receivable

Interest receivable represents accrued interest receivable on the term deposit and debt securities.

Investments in mutual funds

Investments in mutual funds are fair valued based on published net asset values at the reporting date.

THE BAHAMAS PROTECTED AREAS FUND

Notes to Financial Statements

June 30, 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d. Financial assets and liabilities (continued)

Investments in exchange-traded funds, debt and equity securities

Exchange-traded funds, 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.

Investments in preference shares

The fair value of investments in preference shares of publicly-listed companies are initially measured at the cost being the transaction price, excluding transaction costs. As of the reporting date, the Fund continues to measure these investments at cost because the Fund believes that in the absence of an active market for these investments and the wide range of possible fair values, cost represents the best estimate of fair value.

Impairment of financial assets

IFRS 9 requires that credit losses on financial assets are measured using the expected credit loss (ECL) approach. At each reporting date, the Fund assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data: significant financial difficulty of the borrower or issuer; a breach of contract such as a default; or it is probable that the borrower will enter bankruptcy or other financial reorganization.

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, 2022

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.

Financial liabilities

The Fund classifies its financial liabilities as financial liabilities at amortized cost. Financial liabilities at amortized cost are initially measured at fair value, net of transaction costs, and are subsequently remeasured at amortized cost using the effective interest rate method. The balance included in this classification is account payable and accrued expenses.

THE BAHAMAS PROTECTED AREAS FUND

Notes to Financial Statements

June 30, 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e. 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 into the functional currency using the exchange rate prevailing at that date. Exchange differences arising on retranslations are included in the statement of comprehensive income.

f. 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.

g. Income and expenses recognition

Grants

Grants are recognized as income when received or receivable 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 deferred grants. Grants received after the reporting date but designated for use in the reporting period are recognized as income and as grants receivable.

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.

Donation income

Donations, are recognized as income when received.

Other income and expenses

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

h. Taxes

No corporate or capital gains taxes are levied on companies in The Bahamas. Accordingly, no provision for such taxes is reflected in these financial statements. Value-added tax (VAT) incurred is recorded as an expense in the statement of comprehensive income under general and administrative expenses as these are not claimable against exempt income.

THE BAHAMAS PROTECTED AREAS FUND

Notes to Financial Statements

June 30, 2022

4. CASH AND CASH EQUIVALENTS

As at June 30, 2022, cash and cash equivalents are as follows:

	2022	2021
General Fund:		
Cash on hand	\$ 733	\$ 498
Cash at bank		
RBC Royal Bank (Bahamas) Limited - main account	94,415	240,906
RBC Royal Bank (Bahamas) Limited - general	36,112	47,363
RBC Royal Bank (Bahamas) Limited - operating	-	14,643
	130,527	302,912
Cash and cash equivalents in the statement of financial position	131,260	303,410
Bank overdraft		
RBC Royal Bank (Bahamas) Limited - operating	(55,660)	-
Cash and cash equivalents in the statement of cash flows	\$75,600	\$303,410

5. CASH AT BROKER - RESTRICTED

	2022	2021
Endowment Fund:		
Cash at broker		
CFAL - USD account	\$15,540	\$117,437
CFAL - FCIB	-	919
	\$15,540	\$118,356

As at June 30, 2022, cash at broker is restricted as it is part of the Endowment Fund (See Note 8).

6. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

As at June 30, 2022, financial assets at fair value through profit or loss are as follows:

	2022			2021		
	Quantity	Cost	Fair value	Quantity	Cost	Fair value
Equity Securities - (B\$)						
J.S Johnson & Company Limited	4,595	\$ 65,338	\$ 71,223	4,595	\$ 65,338	\$ 71,222
FOCOL Holdings Limited	16,795	75,983	66,844	16,795	75,983	62,142
Commonwealth Bank Limited	15,818	74,726	56,945	15,818	74,726	43,341
CIBC FirstCaribbean Bank (Bahamas) Ltd.	3,400	34,680	54,400	3,400	34,680	34,680
Fidelity Bank (Bahamas) Limited	2,394	25,151	41,320	2,394	25,151	33,492
		275,878	290,732		275,878	244,877
Balance carried forward		\$275,878	\$290,732		\$275,878	\$244,877

(continued)

THE BAHAMAS PROTECTED AREAS FUND

Notes to Financial Statements

June 30, 2022

6. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

	2022			2021		
	Quantity	Cost	Fair value	Quantity	Cost	Fair value
Balance brought forward		\$275,878	\$290,732		\$275,878	\$244,877
<u>Equity Securities - (US\$)</u>						
CVS Health Corp.	487	40,278	45,125	-	-	-
Paypal Holding Inc.	145	40,200	10,127	-	-	-
		80,478	55,252		-	-
		356,356	345,984		-	-
<u>Exchange-traded Funds - (US\$)</u>						
First Trust NASDAQ-100 Equal-Weighted Index Fund	1,285	100,276	112,219	1,285	100,276	144,177
ishares iBoxx Investment Grade Corporate Bond ETF	758	100,013	83,403	758	100,013	101,845
ishares MSCI USA ESG select ETF	716	50,118	57,774	716	50,118	68,407
Schwab US Dividend Equity ETF	858	50,060	61,549	858	50,060	64,882
SPDR Portfolio Intermediate Term Corporate Bond ETF	1,394	50,093	45,486	1,394	50,093	51,160
ishares ESG USD Corporate Bond ETF	1,836	50,163	42,503	1,836	50,163	50,894
SPDR Gold Shares SPDR	223	37,024	37,567	64	9,971	10,600
		437,747	440,501		410,694	491,965
<u>Mutual Funds</u>						
CFAL Bond Fund, Ltd.	151,107	346,305	384,271	137,404	308,066	335,703
<u>Preference Shares</u>						
FOCOL Pref. A 1.75%	30,000	30,126	30,000	30,000	30,000	30,000
Colina Holdings Cumulative Redeemable Pref. 1.50%	20,000	20,113	20,000	20,000	20,000	20,000
		50,239	50,000		50,000	50,000
<u>Debt Securities</u>						
Bahamas Government Registered Stocks:						
4.830% due 23/02/2028	250,000	250,672	255,317	250,000	250,672	255,317
Prime + 0.2500% due 04/05/2024	250,000	250,000	251,675	250,000	250,000	251,675
Prime + 0.0833% due 26/04/2028	150,700	151,308	151,559	150,700	151,308	151,559
4.660% due 13/07/2028	150,000	150,000	149,640	150,000	150,000	149,640
5.060% due 13/07/2038	150,000	150,000	137,535	150,000	150,000	137,535
5.000% due 15/10/2038	150,000	150,000	136,455	150,000	150,000	136,455
4.250% due 15/07/2024	120,000	120,484	122,064	120,000	120,484	122,064
Prime + 0.0625% due 26/07/2033	100,000	100,403	100,300	100,000	100,403	100,300
6.050% due 15/06/2050	100,000	100,000	95,350	100,000	100,000	95,350
5.000% due 15/01/2039	69,100	69,100	66,484	69,100	69,100	67,151
5.600% due 15/07/2049	64,000	64,000	57,670	64,000	64,000	57,670
5.350% due 17/01/2040	21,900	21,900	20,446	21,900	21,900	20,446
4.250% due 15/10/2022	2,600	2,654	2,654	2,600	2,654	2,654
		1,580,521	1,547,149		1,580,521	1,547,816
		\$2,771,077	\$2,767,905		\$2,625,159	\$2,670,361

THE BAHAMAS PROTECTED AREAS FUND

Notes to Financial Statements

June 30, 2022

7. GRANTS RECEIVABLE/DEFERRED GRANTS

Grants receivable/deferred grants as at June 30, 2022 are as follows:

Projects	Note	July 1, 2021	Grants	Disbursements	June 30, 2022
Grants receivable:					
The Caribbean Biodiversity Fund (under the Grant Agreement)	(a)	\$ -	\$400,000	\$(554,248)	\$154,248
Deferred grants:					
Waitt Foundation Fund	(b)	\$ 38,284	\$ 50,000	\$ (44,465)	\$ 43,819
The Caribbean Biodiversity Fund (under the Partnership Agreement)	(c)	59,662	-	(24,662)	35,000
The Caribbean Biodiversity Fund (under the Grant Agreement)	(a)	200,000	-	(200,000)	-
		\$297,946	\$ 50,000	\$(269,127)	\$ 78,819

Projects	Note	July 1, 2020	Grants	Disbursements	June 30, 2021
Deferred grants:					
The Caribbean Biodiversity Fund (under the Grant Agreement)	(a)	\$150,000	\$200,000	\$(150,000)	\$200,000
The Caribbean Biodiversity Fund (under the Partnership Agreement)	(c)	-	59,662	-	59,662
Waitt Foundation Fund	(b)	138,419	-	(100,135)	38,284
		\$288,419	\$259,662	\$(250,135)	\$297,946

- a) In November 2019, the Fund was advised that the German Federal Ministry of Economic Cooperation and Development, through the German Development Bank, had committed up to 1 million euros (\$1.1 million) intended for post-Hurricane Dorian assessments and recovery. In addition, the Board of the Caribbean Biodiversity Fund (CBF) also pledged US\$150,000 for the same effort. The combined grant of US\$1.25 million, to be administered by the CBF, is specifically for the purpose of financing and providing sub-grants to support ecosystem impact assessments, ecosystem-based recovery efforts (including protected areas infrastructure), the provision of water purification systems and renewable energy initiatives in and around Grand Bahama and Abaco.
- b) On December 31, 2015, the Fund entered into a grant agreement with Waitt Foundation Fund (the "Foundation") to receive grants totaling \$500,000 to support the operational costs for a grant-making program for protected areas management throughout The Bahamas. The grant was provided proportionately over a period of five years, which ended on December 31, 2020. In December 2021, the Fund entered into another grant agreement with the Foundation for operational support to the Fund by an initial grant of \$50,000 from January 1 to December 31, 2022. Under the agreement, the grant is available for approved expenditures, including operational and project implementation activities. The Fund is responsible for certain deliverables as outlined in the agreement.

THE BAHAMAS PROTECTED AREAS FUND

Notes to Financial Statements

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7. GRANTS RECEIVABLE/DEFERRED GRANTS (continued)

- c) On November 19, 2020, the Fund entered into a partnership agreement with the Caribbean Biodiversity Fund to make available, on an annual basis, certain amounts to support the expenditures of the Fund in proportion to the participating country's sub-account allocation of the total contributions from donors.

Total grants recognized as income during the year amounted to \$823,375 (2021: \$250,135).

8. FUND BALANCES

General Fund

The General Fund represents the unrestricted balance of the Fund.

Endowment Fund

The Endowment Fund includes 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 administrative and operating costs of the General Fund, unless approved by a 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, through a transparent and competitive public tender process, subject to the approval of at least three-fourths of the Directors.

9. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the year were as follows:

	2022	2021
Payroll	\$ 28,993	\$ 62,182
Travel and accommodation	25,595	-
Professional fees	20,842	9,750
Maintenance	12,352	14,443
Other	9,475	985
Marketing and public relations	6,468	-
Office supplies	6,013	1,367
Investment management fees	5,567	5,890
Utilities	4,895	4,930
Fundraising	4,454	23,723
VAT	3,515	6,295
Charitable contributions	3,250	4,000
Bank charges	3,164	2,530
Depreciation	2,167	2,334
Insurance	1,601	2,051
Website hosting and update	414	2,235
Government meetings	-	4,296
	<u>\$138,765</u>	<u>\$147,011</u>

THE BAHAMAS PROTECTED AREAS FUND

Notes to Financial Statements

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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 classes 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:

	2022			
	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Equity securities	\$ 345,984	\$ -	\$ -	\$ 345,984
Exchange-traded funds	440,501	-	-	440,501
Debt securities	-	1,547,149	-	1,547,149
Mutual funds	384,271	-	-	384,271
Preference shares	-	50,000	-	50,000
	\$1,170,756	\$1,597,149	\$ -	\$2,767,905

	2021			
	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Equity securities	\$ 244,877	\$ -	\$ -	\$ 244,877
Exchange-traded funds	491,965	-	-	491,965
Debt securities	-	1,547,816	-	1,547,816
Mutual funds	335,703	-	-	335,703
Preference shares	-	50,000	-	50,000
	\$1,072,545	\$1,597,816	\$ -	\$2,670,361

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.

THE BAHAMAS PROTECTED AREAS FUND

Notes to Financial Statements

June 30, 2022

11. FINANCIAL RISK MANAGEMENT (continued)

(a) Market risk (continued)

(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 cash at broker - restricted, term deposit and investments in debt securities at floating rates 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.

	2022		2021	
	Change in interest rates	Effect on net income	Change in interest rates	Effect on net income
Cash at broker - restricted	0.5%	\$ 78	0.5%	\$ 592
Term deposit	0.5%	\$ 25	0.5%	\$ 25
Debt securities	0.5%	\$2,518	0.5%	\$2,518

(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 US\$ denominated equity securities and exchange-traded funds (ETF). 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, exchange-traded funds 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, 2022

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:

2022			
	1%	5%	10%
<u>Financial assets at FVTPL</u>			
Exchange-traded funds	\$4,405	\$22,025	\$44,050
Equity securities	\$3,460	\$17,299	\$34,598
Mutual funds	\$3,843	\$19,214	\$38,427

2021			
	1%	5%	10%
<u>Financial assets at FVTPL</u>			
Exchange-traded funds	\$4,920	\$24,598	\$49,196
Equity securities	\$2,449	\$12,244	\$24,488
Mutual funds	\$3,357	\$16,785	\$33,570

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 at bank, cash at broker - restricted, term deposit, interest receivable and investments in debt securities and preference shares.

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 and investing in publicly-traded companies and government-issued debt securities. As at June 30, 2022, the maximum exposure to credit risk before any credit enhancements is the carrying amount of the financial assets as set out below:

THE BAHAMAS PROTECTED AREAS FUND

Notes to Financial Statements

June 30, 2022

11. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

	2022	2021
<u>Financial assets at FVTPL</u>		
Debt securities	\$1,547,149	\$1,547,816
Preference shares	50,000	50,000
<u>Financial assets at amortized cost</u>		
Cash at bank	130,527	302,912
Cash at broker - restricted	15,540	118,356
Term deposit	5,000	5,000
Grants receivable	154,248	-
Interest receivable	25,139	27,148
	<u>\$1,927,603</u>	<u>\$2,051,232</u>

(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, 2022 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.

2022	Less than 3 months	Total
Financial liabilities		
Bank overdraft	\$55,660	\$55,660
Accounts payable and accrued expenses	6,913	6,913
	<u>\$62,573</u>	<u>\$62,573</u>
2021	Less than 3 months	Total
Financial liabilities		
Accounts payable and accrued expenses	\$10,593	\$10,593

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 where restrictions on the utilization of the Endowment Fund are specified in the Act.

See Independent Auditors' Report on pages 1 to 3.