



**CLAYOQUOT BIOSPHERE
TRUST SOCIETY**

**Financial Statements
December 31, 2014**

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INDEPENDENT AUDITORS' REPORT

TO THE DIRECTORS OF CLAYOQUOT BIOSPHERE TRUST SOCIETY

Report on the Financial Statements

We have audited the accompanying financial statements of Clayoquot Biosphere Trust Society, which comprise the statement of financial position as at December 31, 2014, and the statements of revenues and expenditures, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Society's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Society's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Clayoquot Biosphere Trust Society as at December 31, 2014 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Report on Other Legal and Regulatory Requirements

As required by the *Society Act* (British Columbia), we report that, in our opinion, the accounting principles in Canadian accounting standards for not-for-profit organizations have been applied on a basis consistent

Smythe Ratcliffe LLP
Vancouver, British Columbia
April 24, 2015

7th Floor 355 Burrard St
Vancouver, BC V6C 2G8

Tel: 604 687 1231

Fax: 604 688 4675

smytheratcliffe.com

Statement of Financial Position
December 31

	2014	2013
Assets		
Current		
Cash	\$ 60,458	\$ 25,912
Government receivables	5,306	
Prepaid expenses	4,123	4,123
	69,887	30,035
Investments		
Canadian Equity	3,312,133	3,011,039
Global Equity	5,002,851	5,394,956
Canadian Government Bond	2,795,463	2,551,611
Canadian Plus Bond	4,957,239	3,895,204
Structured Notes Component		16,362
Canadian T-Bill	59	48
	16,067,745	14,869,220
Deposit Receivable	6,400	6,400
Equipment (note 3)	13,608	15,256
	20,008	21,656
	\$ 16,157,640	\$ 14,920,911
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 40,267	\$ 6,862
Government remittances payable	7,048	6,772
	47,315	13,634
Net Assets	16,110,325	14,907,277
	\$ 16,157,640	\$ 14,920,911

Commitments (note 7)

Approved by the Board:


 Director


 Director

See notes to financial statements.

Statement of Revenues and Expenditures
Year Ended December 31

	Operating Fund	Endowment Fund - Operating	Capital Fund	Endowment Fund – Capital	2014	2013
Revenues						
Unrealized restricted endowment gain	\$ -	\$ 447,930	\$ -	\$ -	\$ 447,930	\$ 1,483,698
Increase to restricted endowment	-	-	-	313,220	313,220	182,944
Unrestricted endowment interest	183,459	-	-	-	183,459	113,135
Unrestricted endowment dividends	746,143	-	-	-	746,143	90,062
Regional program funding	108,856	-	-	-	108,856	73,677
Contributions	83,062	-	-	-	83,062	38,703
Corporate fundraising	7,725	-	-	-	7,725	5,006
Rent	6,750	-	-	-	6,750	15,000
Education fund – Genus	3,458	-	-	-	3,458	3,000
	1,139,453	447,930	-	313,220	1,900,603	2,005,225
Expenditures						
Committee projects and funding expenses (schedule 1)	292,260	-	-	-	292,260	201,906
Payroll and staff (schedule 2)	216,952	-	-	-	216,952	196,787
General and administrative (schedule 3)	186,695	-	1,648	-	188,343	169,497
	695,907	-	1,648	-	697,555	568,190
Excess (Deficiency) of Revenues over Expenditures for the Year	\$ 443,546	\$ 447,930	\$ (1,648)	\$ 313,220	\$ 1,203,048	\$ 1,437,035

See notes to financial statements.

Statement of Changes in Net Assets
Year Ended December 31

	Operating Fund	Endowment Fund - Operating	Capital Fund	Endowment Fund - Capital	2014	2013
Balance, Beginning of Year	\$ 22,804	\$ (949,973)	\$ 15,253	\$ 15,819,193	\$ 14,907,277	\$ 13,470,242
Excess (Deficiency) of Revenues over Expenditures	443,546	447,930	(1,648)	313,220	1,203,048	1,437,035
Interfund Transfers	(437,375)	437,375	-	-	-	-
Balance, End of Year	\$ 28,975	\$ (64,668)	\$ 13,605	\$ 16,132,413	\$ 16,110,325	\$ 14,907,277

See notes to financial statements.

**Statement of Cash Flows Year Ended
December 31**

	2014	2013
Operating Activities		
Excess of revenues over expenditures	\$ 1,203,048	\$ 1,437,035
Items not involving cash		
Unrealized gain on investments	(447,930)	(1,483,698)
Reinvested income	(1,242,823)	-
Amortization	1,648	3,828
	(486,057)	(42,835)
Changes in non-cash working capital		
Government receivables	(5,306)	3,484
Prepaid expenses	-	202
Accounts payable and accrued liabilities	33,405	(3,611)
Government remittances payable	276	6,772
Deferred revenue	-	(6,404)
	28,375	443
Cash Used in Operating Activities	(457,682)	(42,392)
Cash Provided by Investing Activities		
Withdrawal from investments	492,228	54,411
Increase in Cash	34,546	12,019
Cash, Beginning of Year	25,912	13,893
Cash, End of Year	\$ 60,458	\$ 25,912

See notes to financial statements.

1. NATURE OF OPERATIONS

The Clayoquot Biosphere Trust Society (the "Society"), designated under the UNESCO Biosphere Program, was incorporated under the *Society Act* (British Columbia) to provide support for local projects related to increasing local capacity, knowledge, participation and innovation through research, education and training initiatives for the sustainable development of the Clayoquot Sound Biosphere Reserve.

The original endowment fund of \$12,000,000 was provided by the Government of Canada pursuant to the Canada Funding Agreement dated May 5, 2000.

The Society is a registered charity under section 149(1)(j) of the *Income Tax Act* (Canada) and is exempt from income taxes.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Society were prepared in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO") and include the following significant accounting policies.

(a) Fund accounting

The Society accounts for its assets and undertakings using the fund basis of accounting. The Society currently has four funds with the following purposes and restrictions:

- (i) Operating Fund – This fund contains the operating costs related to the Society.
- (ii) Capital Fund – This fund contains the Society's capital assets and incurs the expenses related to amortization.
- (iii) Endowment Fund - Operating – This fund contains the balance due from operating to the Endowment Fund.
- (iv) Endowment Fund - Capital – This fund contains the investments held related to the Endowment Fund and related income.

(b) Investments

Investments are stated at fair market value. Changes to the fair market value are recognized in the statement of revenues and expenditures during the year in which they occur. The investment portfolio is professionally managed by Genus Capital Management.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Amortization

One-half of annual amortization is taken in the year of acquisition. Amortization of equipment is recorded at the following methods and rates:

Artwork and equipment	- Not depreciated	Furniture	- 20% declining-balance
Computer equipment	- 30% to 55% declining-balance		
Library material	- 100% declining-balance		
Leasehold improvements	- 5 years straight-line		

Equipment is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

(d) Use of estimates

The preparation of these financial statements in conformity with ASNPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Significant estimates include rates of amortization and balance of accruals. While management believes these estimates are reasonable, actual results could differ from those estimates and could impact future results of operations and cash flows.

(e) Revenue recognition

Revenue is recognized under the restricted fund method.

Contributions are recorded as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably ensured.

Investment revenue is recognized as earned.

Donations are recorded when received or when the donor has pledged a specific amount, provided the collection of the amount is reasonably assured.

(f) Financial instruments

The Society initially measures its financial assets and liabilities at fair value. The Society subsequently measures all its financial assets and financial liabilities at amortized cost except for investments traded on an open market.

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in excess (deficiency) of revenues over expenditures. In the event a previously recognized impairment loss should be reversed, the amount of the reversal is recognized in excess (deficiency) of revenues over expenditures provided it is not greater than the original amount prior to write-down.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Financial instruments (Continued)

For any financial instrument that is measured at amortized cost, the instrument's cost is adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption. These transaction costs are amortized into excess (deficiency) of revenues over expenditures on a straight-line basis over the term of the instrument. All other transaction costs are recognized in excess (deficiency) of revenues over expenditures in the period incurred.

3. EQUIPMENT

	2014			2013	
	Cost	Accumulated Amortization	Net	Net	
Artwork	\$ 11,000	\$ -	\$ 11,000	\$ 11,000	
Furniture and equipment	12,328	10,668	1,660	2,075	
Computer equipment	6,004	5,582	422	603	
Library material	6,000	6,000	-	-	
Leasehold improvements	5,260	4,734	526	1,578	
	\$ 48,400	\$ 34,792	\$ 13,608	\$ 15,256	

4. FUNDING AGREEMENT AMOUNT

At December 31, 2014, the Funding Agreement obligation is \$16,132,413 (2013 - \$15,819,193). This is represented by the original federal contribution of \$12,000,000 plus a cumulative cost of living allowance adjustment of \$4,132,413 (2013 - \$3,819,193) for inflation using the Consumer Price Index.

	2014	2013
Balance, beginning of year	\$ 15,819,193	\$ 15,636,249
Funding agreement inflation adjustment	313,220	182,944
Balance, end of year	\$ 16,132,413	\$ 15,819,193

At December 31, 2014, the Funding Agreement obligation is not adequately funded when the market value of the Endowment Fund is considered.

5. COST OF LIVING ALLOWANCE

The cost of living allowance is based on the Consumer Price Index. During the reporting period, the Consumer Price Index was approximately 1.98% (2013 - 1.17%).

6. FINANCIAL INSTRUMENTS

(a) Cash flow risk

Cash flow risk is the risk that future cash flows from financial instruments will fluctuate.

The Society is exposed to cash flow risk on its investment income related to the Endowment Fund.

The Society mitigates its exposure to cash flow risk by maximizing the income earned on the Endowment Fund while maintaining the minimum liquidity necessary to conduct operations on a day-to-day basis. Fluctuations in market rates of return on investments can have a significant impact on the Society's cash flow.

(b) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Society is exposed to credit risk with respect to its cash and investments. The Society has mitigated these risks by placing its cash with a major Canadian financial institution and by following a conservative, professionally managed investment policy.

(c) Liquidity risk

Liquidity risk is the risk that the Society will not be able to meet a demand for cash or fund its obligations as they come due. Liquidity risk also includes the risk of the Society not being able to liquidate assets in a timely manner at a reasonable price.

The Society is exposed to liquidity risk as the majority of its capital is held in investments that it may not be able to liquidate on short notice without taking losses.

The Society mitigates this risk by preparing and monitoring detailed forecasts of cash flows from operations, anticipating investing and financing activities, and holding certain assets that can be readily converted into cash.

(d) Currency risk

Currency risk is the risk that the fair value of financial instruments will fluctuate relative to the Canadian dollar due to changes in foreign exchange rates.

The Society is exposed to currency risk due to its significant investments in global equities. The Society does not use foreign exchange forward contracts to manage foreign exchange transaction exposures.

(e) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market interest rates.

6. FINANCIAL INSTRUMENTS (Continued)

(e) Interest rate risk (Continued)

The Society is exposed to interest rate risk due to its investments in Canadian treasury bills and Canadian fixed income equity instruments.

The Society mitigates this risk by having its investments managed by an external investment advisor.

(f) Market risk

Market risk is the risk that the fair value of financial instruments will fluctuate due to changes in market prices whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market.

The Society is exposed to this risk due to its equity investments in Canadian and global equities.

The Society mitigates this risk by having its investments managed by an external investment advisor.

7. COMMITMENTS

The Society has future lease obligations of \$41,486 due in 2015.

CLAYOQUOT BIOSPHERE TRUST SOCIETY
Schedules of Expenditures
Year Ended December 31

Schedule 1 – Committee Projects and Funding Expenses

	Operating Fund	Capital Fund	2014	2013
Current year projects	\$ 76,007	\$ -	\$ 76,007	\$ 80,937
Leadership Vancouver Island	54,569	-	54,569	-
Committee discretionary	42,150	-	42,150	36,743
Regional program expenses	25,218	-	25,218	40,861
Scholarships – other	15,458	-	15,458	9,000
Scholarships – First Nations	9,000	-	9,000	12,000
Measuring community health	13,571	-	13,571	1,022
Celebration of the biosphere	13,816	-	13,816	1,813
Eat West Coast	11,611	-	11,611	2,494
Generation Y-Not	7,419	-	7,419	-
What I learned	6,793	-	6,793	6,000
Higher education initiative	5,000	-	5,000	3,062
Committee logistics	4,133	-	4,133	4,147
Biosphere centre	3,515	-	3,515	297
Youth philanthropy council	2,000	-	2,000	-
Youth and Biosphere	2,000	-	2,000	1,071
Francophone affairs program	-	-	-	2,117
Vancouver Foundation youth grant	-	-	-	342
	\$ 292,260	\$ -	\$ 292,260	\$ 201,906

Schedule 2 – Payroll and Staff Expenses

	Operating Fund	Capital Fund	2014	2013
Wages and salaries	\$ 174,521	\$ -	\$ 174,521	\$ 158,050
RRSP contributions	15,519	-	15,519	16,275
Employee benefits	11,481	-	11,481	10,172
Canada Pension Plan	6,902	-	6,902	6,308
Employment Insurance	3,494	-	3,494	2,244
Medical Services Plan	3,077	-	3,077	2,660
Staff professional development	1,958	-	1,958	1,078
	\$ 216,952	\$ -	\$ 216,952	\$ 196,787

CLAYOQUOT BIOSPHERE TRUST SOCIETY
Schedules of Expenditures
Year Ended December 31

Schedule 3 – General and Administrative Expenses

	Operating Fund	Capital Fund	2014	2013
Fund management	\$ 52,227	\$ -	\$ 52,227	\$ 50,552
Rent	40,800	-	40,800	40,800
Accounting, audit and legal	24,044	-	24,044	19,994
Board logistics	11,063	-	11,063	6,120
Office supplies and maintenance	9,310	-	9,310	8,596
Insurance	8,398	-	8,398	8,442
Advertising and promotions	8,342	-	8,342	1,605
Printing	7,664	-	7,664	921
Travel – regional	4,545	-	4,545	3,646
Telephone	4,411	-	4,411	4,477
Vehicle lease and maintenance	4,206	-	4,206	4,101
Travel – other	3,890	-	3,890	9,460
Internet	1,779	-	1,779	2,352
Cabin maintenance	1,637	-	1,637	1,178
Fundraising	1,280	-	1,280	1,070
Utilities	777	-	777	-
Hospitality	691	-	691	580
Interest and bank charges	677	-	677	681
Courier and postage	453	-	453	671
Dues, fees and licenses	251	-	251	173
Community Foundations of Canada	250	-	250	250
Amortization	-	1,648	1,648	3,828
	\$ 186,695	\$ 1,648	\$ 188,343	\$ 169,497