



**CLAYOQUOT BIOSPHERE
TRUST SOCIETY**

**Financial Statements
December 31, 2015**

<u>Index</u>	<u>Page</u>
Independent Auditors' Report to the Directors	1
Financial Statements	
Statement of Financial Position	2
Statement of Revenues and Expenditures	3
Statement of Changes in Net Assets	4
Statement of Cash Flows	5
Notes to Financial Statements	6 – 10
Schedules of Expenditures	11 – 12

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, 2015, 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, 2015 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 with that of the preceding year.



Chartered Professional Accountants

Vancouver, British Columbia
April 14, 2016

CLAYOQUOT BIOSPHERE TRUST SOCIETY
Statement of Financial Position
December 31

	2015	2014
Assets		
Current		
Cash	\$ 17,899	\$ 60,458
Government receivables	3,047	5,306
Prepaid expenses	3,801	4,123
	24,747	69,887
Investments – Canada Fund		
Canadian Equity	3,630,051	3,312,133
Global Equity	5,539,343	5,002,851
Canadian Government Bond	2,581,678	2,795,463
Canadian Plus Bond	4,912,429	4,957,239
Canadian T-Bill	7,697	59
Investments – Community Foundation Fund		
Canadian T-Bill	2,000	-
	16,673,198	16,067,745
Deposit Receivable	6,400	6,400
Equipment (note 3)	12,623	13,608
	19,023	20,008
	\$ 16,716,968	\$ 16,157,640
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 16,615	\$ 40,267
Government remittances payable	5,179	7,048
	21,794	47,315
Net Assets	16,695,174	16,110,325
	\$ 16,716,968	\$ 16,157,640

Commitments (note 7)

Approved by the Board:

 Director
 Director

CLAYOQUOT BIOSPHERE TRUST SOCIETY
Statement of Revenues and Expenditures
Year Ended December 31

	Operating Fund	Endowment Fund – Canada Operating	Capital Fund	Endowment Fund – Canada Capital	Endowment Fund – Community Foundation Capital	2015	2014
Revenues							
Unrealized restricted endowment gain (loss)	\$ -	\$ (47,643)	\$ -	\$ -	\$ -	\$ (47,643)	\$ 447,930
Increase to restricted endowment	-	-	-	312,823	-	312,823	313,220
Unrestricted endowment investment income	944,825	-	-	-	-	944,825	929,602
Regional program funding	34,306	-	-	-	-	34,306	108,856
Contributions	17,078	-	-	-	-	17,078	83,062
Corporate fundraising	3,199	-	-	-	-	3,199	7,725
Rent	12,100	-	-	-	-	12,100	6,750
Education fund – Genus	3,000	-	-	-	-	3,000	3,458
	1,014,508	(47,643)	-	312,823	-	1,279,688	1,900,603
Expenditures							
Committee projects and funding expenses (schedule 1)	220,096	-	-	-	-	220,096	292,260
Payroll and staff (schedule 2)	285,051	-	-	-	-	285,051	216,952
General and administrative (schedule 3)	190,707	-	985	-	-	191,692	188,343
	695,854	-	985	-	-	696,839	697,555
Excess (Deficiency) of Revenues over Expenditures for the Year	\$ 318,654	\$ (47,643)	\$ (985)	\$ 312,823	\$ -	\$ 582,849	\$ 1,203,048

CLAYOQUOT BIOSPHERE TRUST SOCIETY
Statement of Changes in Net Assets
Year Ended December 31

	Operating Fund	Endowment Fund – Canada Operating	Capital Fund	Endowment Fund – Canada Capital	Endowment Fund – Community Foundation Capital	2015	2014
Balance, Beginning of Year	\$ 28,975	\$ (64,668)	\$ 13,605	\$ 16,132,413	\$ -	\$ 16,110,325	\$ 14,907,277
Excess (Deficiency) of Revenues over Expenditures	318,654	(47,643)	(985)	312,823	-	582,849	1,203,048
Endowment Contributions	-	-	-	-	2,000	2,000	-
Interfund Transfers	(291,345)	291,345	-	-	-	-	-
Balance, End of Year	\$ 56,284	\$ 179,034	\$ 12,620	\$ 16,445,236	\$ 2,000	\$ 16,695,174	\$ 16,110,325

CLAYOQUOT BIOSPHERE TRUST SOCIETY
Statement of Cash Flows
Year Ended December 31

	2015	2014
Operating Activities		
Excess of revenues over expenditures	\$ 582,849	\$ 1,203,048
Items not involving cash		
Unrealized gain (loss) on investments	47,643	(447,930)
Reinvested income	(1,255,646)	(1,242,823)
Amortization	985	1,648
	(624,169)	(486,057)
Changes in non-cash working capital		
Government receivables	2,259	(5,306)
Prepaid expenses	322	-
Accounts payable and accrued liabilities	(23,652)	33,405
Government remittances payable	(1,869)	276
	(22,940)	28,375
Cash Used in Operating Activities	(647,109)	(457,682)
Cash Provided by Investing Activities		
Withdrawal from investments	604,550	492,228
Increase (Decrease) in Cash	(42,559)	34,546
Cash, Beginning of Year	60,458	25,912
Cash, End of Year	\$ 17,899	\$ 60,458

CLAYOQUOT BIOSPHERE TRUST SOCIETY

Notes to Financial Statements
Year Ended December 31, 2015

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) Endowment Fund – Canada Operating – This fund contains the balance due from operating to the Government of Canada Endowment Fund.
- (iii) Capital Fund – This fund contains the Society's equipment and incurs the expenses related to amortization.
- (iv) Endowment Fund – Canada Capital – This fund contains the investments held related to the Government of Canada Endowment Fund and related income.
- (v) Endowment Fund – Community Foundation Capital – This fund contains the investments held for the purpose of generating income for approved community focused projects.

(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.

CLAYOQUOT BIOSPHERE TRUST SOCIETY

Notes to Financial Statements
Year Ended December 31, 2015

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	- Not depreciated
Furniture and equipment	- 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. Externally restricted contributions are recognized in the fund corresponding to their purpose, with unrestricted contributions in the general fund. Endowment contributions are recorded as an increase to net assets.

Contributions are recorded as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably ensured. Donations are recorded when received or when the donor has pledged a specific amount, provided the collection of the amount is reasonably assured. Investment revenue is recognized as earned.

(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 in 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.

CLAYOQUOT BIOSPHERE TRUST SOCIETY

Notes to Financial Statements
Year Ended December 31, 2015

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

	2015			2014	
	Cost	Accumulated Amortization	Net	Net	
Artwork	\$ 11,000	\$ -	\$ 11,000	\$ 11,000	
Furniture and equipment	12,328	11,000	1,328	1,660	
Computer equipment	13,812	13,517	295	422	
Library material	6,000	6,000	-	-	
Leasehold improvements	5,260	5,260	-	526	
	\$ 48,400	\$ 35,777	\$ 12,623	\$ 13,608	

4. FUNDING AGREEMENT AMOUNT

At December 31, 2015, the Funding Agreement obligation is \$16,445,236 (2014 - \$16,132,413). This is represented by the original federal contribution of \$12,000,000 plus a cumulative cost of living allowance adjustment of \$4,445,236 (2014 - \$4,132,413) for inflation using the Consumer Price Index.

	2015	2014
Balance, beginning of year	\$ 16,132,413	\$ 15,819,193
Funding agreement inflation adjustment	312,823	313,220
Balance, end of year	\$ 16,445,236	\$ 16,132,413

At December 31, 2015, the Funding Agreement obligation is adequately funded.

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 1.94% (2014 - 1.98%).

CLAYOQUOT BIOSPHERE TRUST SOCIETY

Notes to Financial Statements Year Ended December 31, 2015

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 interest 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 this risk 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 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.

CLAYOQUOT BIOSPHERE TRUST SOCIETY

Notes to Financial Statements Year Ended December 31, 2015

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 a professional 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 investments in Canadian and global equities.

The Society mitigates this risk by having its investments managed by a professional investment advisor.

7. COMMITMENTS

The Society has future lease obligations under a rental lease expiring December 31, 2017 for the following amounts:

2016	\$	42,840
2017		45,000
	\$	87,840

8. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation.

CLAYOQUOT BIOSPHERE TRUST SOCIETY
Schedules of Expenditures
Year Ended December 31

Schedule 1 – Committee Projects and Funding Expenses

	Operating Fund	Capital Fund	2015	2014
Current year projects	\$ 73,209	\$ -	\$ 73,209	\$ 76,007
Committee discretionary	36,380	-	36,380	42,150
Leadership Vancouver Island	23,062	-	23,062	54,569
Biosphere Regional Research Award	20,000	-	20,000	-
Eat West Coast	10,635	-	10,635	11,611
Remote Listening Station	10,179	-	10,179	-
Education Success Grant	10,000	-	10,000	-
Scholarships – other	9,000	-	9,000	15,458
Scholarships – First Nations	9,000	-	9,000	9,000
What I learned	4,000	-	4,000	6,793
Neighborhood Small Grant	3,014	-	3,014	-
Youth and Biosphere	2,962	-	2,962	2,000
Committee logistics	2,866	-	2,866	4,133
Biosphere centre	2,792	-	2,792	3,515
Celebration of the biosphere	1,394	-	1,394	13,816
Measuring community health	995	-	995	13,571
Regional program expenses	608	-	608	25,218
Generation Y-Not	-	-	-	7,419
Higher education initiative	-	-	-	5,000
Youth philanthropy council	-	-	-	2,000
	\$ 220,096	\$ -	\$ 220,096	\$ 292,260

Schedule 2 – Payroll and Staff Expenses

	Operating Fund	Capital Fund	2015	2014
Wages and salaries	\$ 224,075	\$ -	\$ 224,075	\$ 174,521
RRSP contributions	21,492	-	21,492	15,519
Employee benefits	15,283	-	15,283	11,481
Canada Pension Plan	9,772	-	9,772	6,902
Employment Insurance	5,011	-	5,011	3,494
Staff professional development	4,814	-	4,814	1,958
Medical Services Plan	4,604	-	4,604	3,077
	\$ 285,051	\$ -	\$ 285,051	\$ 216,952

CLAYOQUOT BIOSPHERE TRUST SOCIETY
Schedules of Expenditures
Year Ended December 31

Schedule 3 – General and Administrative Expenses

	Operating Fund	Capital Fund	2015	2014
Fund management	\$ 54,550	\$ -	\$ 54,550	\$ 52,227
Rent	40,925	-	40,925	40,800
Accounting, audit and legal	20,588	-	20,588	24,044
Travel – national and international	11,119	-	11,119	3,890
Communications	7,398	-	7,398	7,664
Insurance	7,271	-	7,271	8,398
Board logistics	6,785	-	6,785	11,063
Program audit	6,654	-	6,654	-
Advertising and promotions	6,564	-	6,564	8,342
Telephone	5,634	-	5,634	4,411
Office supplies and maintenance	5,541	-	5,541	9,310
Travel – regional	5,199	-	5,199	4,545
Community Foundations of Canada	5,165	-	5,165	250
Cabin maintenance	1,435	-	1,435	1,637
Fundraising	1,219	-	1,219	1,280
Internet	1,126	-	1,126	1,779
Hospitality	904	-	904	691
Interest and bank charges	775	-	775	677
Dues, fees and licenses	765	-	765	251
Utilities	392	-	392	777
Courier and postage	355	-	355	453
Vehicle lease and maintenance	343	-	343	4,206
Amortization	-	985	985	1,648
	\$ 190,707	\$ 985	\$ 191,692	\$ 188,343