



**CLAYOQUOT BIOSPHERE  
TRUST SOCIETY**

**Financial Statements  
December 31, 2017**

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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, 2017 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, 2017 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 *Societies 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.

*Smythe LLP*

Chartered Professional Accountants

Vancouver, British Columbia

May 24, 2018

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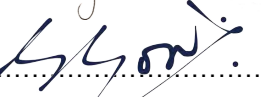
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**CLAYOQUOT BIOSPHERE TRUST SOCIETY**  
**Statement of Financial Position**  
**December 31**

	2017	2016
<b>Assets</b>		
<b>Current</b>		
Cash	\$ 74,783	\$ 33,224
Government receivables	3,498	4,466
Prepaid expenses	4,740	7,301
	83,021	44,991
<b>Investments – Canada Fund</b>		
Canadian Equity	6,691,678	5,838,090
Global Equity	3,902,849	4,962,256
Canadian Government Bond	1,067,076	1,032,038
Canadian Plus Bond	5,266,191	5,138,432
Canadian T-Bill	912,172	247,038
	17,839,966	17,217,854
<b>Investments – Community Foundation Fund</b>		
Canadian Equity	14,270	6,141
Global Equity	11,236	5,350
Canadian Government Bond	8,489	3,822
Canada Plus Bond	8,575	3,919
Canadian T-Bill	2,900	6
	45,470	19,238
	17,885,436	17,237,092
<b>Deposit Receivable</b>	6,400	6,400
<b>Equipment</b> (note 3)	11,989	12,266
	18,389	18,666
	\$ 17,986,846	\$ 17,300,749
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 28,944	\$ 59,698
Government remittances payable	8,099	4,569
Deferred revenue	105,985	-
	143,028	64,267
<b>Net Assets</b>	17,843,818	17,236,482
	\$ 17,986,846	\$ 17,300,749

Commitments (note 7)

Approved by the Board:

.....  ..... Director  
.....  ..... Director

See notes to financial statements.

**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	2017	2016
<b>Revenues</b>							
Unrestricted endowment investment income	\$ -	\$ 678,118	\$ -	\$ -	\$ 1,127	\$ 679,245	\$ 701,192
Unrealized restricted endowment gain	-	285,929	-	-	-	285,929	662,690
Increase to restricted endowment	-	-	-	252,898	-	252,898	(209,198)
Regional program funding	141,357	-	-	-	-	141,357	101,689
Contributions	136,730	-	-	-	-	136,730	66,951
West Coast N.E.S.T. (schedule 4)	85,000	-	-	-	-	85,000	-
Corporate fundraising	46,670	-	-	-	-	46,670	30,968
Coastal Family Resources (schedule 5)	40,772	-	-	-	-	40,772	-
Program admin and coordination	35,335	-	-	-	-	35,335	-
Leadership Vancouver Island (schedule 6)	17,889	-	-	-	-	17,889	32,036
Rent	17,400	-	-	-	-	17,400	13,200
Education fund – Genus	3,000	-	-	-	-	3,000	3,000
	524,153	964,047	-	252,898	1,127	1,742,225	1,402,528
<b>Expenditures</b>							
Committee projects and funding expenses (schedule 1)	421,892	-	-	-	-	421,892	273,384
Payroll and staff (schedule 2)	356,792	-	-	-	-	356,792	307,459
General and administrative (schedule 3)	224,256	-	277	-	-	224,533	185,896
West Coast N.E.S.T. (schedule 4)	98,116	-	-	-	-	98,116	73,806
Coastal Family Resources (schedule 5)	40,772	-	-	-	-	40,772	-
Leadership Vancouver Island (schedule 6)	17,889	-	-	-	-	17,889	31,675
	1,159,717	-	277	-	-	1,159,994	872,220
<b>Excess (Deficiency) of Revenues over Expenditures</b>	\$ (635,564)	\$ 964,047	\$ (277)	\$ 252,898	\$ 1,127	\$ 582,231	\$ 530,308

**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	<b>2017</b>	<b>2016</b>
<b>Balance, Beginning of Year</b>	\$ (12,876)	\$ 981,816	\$ 12,266	\$ 16,236,038	\$ 19,238	\$ 17,236,482	\$ 16,695,174
<b>Excess (Deficiency) of Revenues over Expenditures</b>	(635,564)	964,047	(277)	252,898	1,127	582,231	530,308
<b>Endowment Contributions</b>	-	-	-	-	25,105	25,105	11,000
<b>Interfund Transfers</b>	594,838	(594,838)	-	-	-	-	-
<b>Balance, End of Year</b>	\$ (53,602)	\$ 1,351,025	\$ 11,989	\$ 16,488,936	\$ 45,470	\$ 17,843,818	\$ 17,236,482

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

	<b>2017</b>	<b>2016</b>
<b>Operating Activities</b>		
Excess of revenues over expenditures	\$ 582,231	\$ 530,308
Items not involving cash		
Unrealized gain on investments	(312,161)	(662,690)
Amortization	277	354
	<b>270,347</b>	<b>(132,028)</b>
Changes in non-cash working capital		
Government receivables	968	(1,419)
Prepaid expenses	2,561	(3,500)
Accounts payable and accrued liabilities	(30,754)	43,087
Government remittances payable	3,530	(610)
Deferred revenue	105,985	-
	<b>82,290</b>	<b>37,558</b>
<b>Cash Provided by (Used in) Operating Activities</b>	<b>352,637</b>	<b>(94,470)</b>
<b>Investing Activity</b>		
Increase in endowment funds	25,105	11,000
Reinvested income	(931,021)	(513,982)
Withdrawal from investments	594,838	612,777
<b>Cash Provided by (Used in) Investing Activities</b>	<b>(311,078)</b>	<b>109,795</b>
<b>Increase in Cash</b>	<b>41,559</b>	<b>15,325</b>
<b>Cash, Beginning of Year</b>	<b>33,224</b>	<b>17,899</b>
<b>Cash, End of Year</b>	<b>\$ 74,783</b>	<b>\$ 33,224</b>

# CLAYOQUOT BIOSPHERE TRUST SOCIETY

## Notes to Financial Statements

Year Ended December 31, 2017

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### 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 five 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, 2017**

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**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

(c) Amortization

Amortization of equipment is recorded at the following methods and rates:

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

One-half of annual amortization is taken in the year of acquisition.

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 useful lives of property and equipment and accrued liabilities. 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, and unrestricted contributions in the operating 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.



**CLAYOQUOT BIOSPHERE TRUST SOCIETY**  
**Notes to Financial Statements**  
**Year Ended December 31, 2017**

**3. EQUIPMENT**

	2017			2016	
	Cost	Accumulated Amortization	Net	Net	
Artwork	\$ 11,000	\$ -	\$ 11,000	\$ 11,000	
Furniture and equipment	12,328	11,484	844	1,059	
Computer equipment	13,812	13,667	145	207	
Library material	6,000	6,000	-	-	
Leasehold improvements	5,260	5,260	-	-	
	\$ 48,400	\$ 36,411	\$ 11,989	\$ 12,266	

**4. FUNDING AGREEMENT OBLIGATION**

At December 31, 2017, the Funding Agreement obligation is \$16,488,936 (2016 - \$16,236,038). This is represented by the original federal contribution of \$12,000,000 plus a cumulative cost of living allowance adjustment of \$4,488,936 (2016 - \$4,236,038) for inflation using the Annual Average Consumer Price Index.

	2017	2016
Balance, beginning of year	\$ 16,236,038	\$ 16,445,236
Funding agreement inflation adjustment	252,898	227,608
Reduction due to revaluation	-	(436,806)
Balance, end of year	\$ 16,488,936	\$ 16,236,038

At December 31, 2017, the Funding Agreement obligation is adequately funded.

**5. COST OF LIVING ALLOWANCE**

The cost of living allowance is based on the Annual Average Consumer Price Index. During the reporting period, the Consumer Price Index was approximately 1.7% (2016 - 1.8%).

**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.

**CLAYOQUOT BIOSPHERE TRUST SOCIETY**  
**Notes to Financial Statements**  
**Year Ended December 31, 2017**

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**6. FINANCIAL INSTRUMENTS (Continued)**

(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.

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.

**CLAYOQUOT BIOSPHERE TRUST SOCIETY**  
**Notes to Financial Statements**  
**Year Ended December 31, 2017**

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**6. FINANCIAL INSTRUMENTS (Continued)**

(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 of \$140,400 expiring December 31, 2020.

**8. SALARIES, HONORARIA AND BENEFITS**

The *Societies Act* (British Columbia) requires certain information to be reported with regard to remuneration of employees, contractors and directors.

Included in salaries and benefits are two employees (2016 - one) with remuneration over \$75,000. The total remuneration for these individuals for the year ended December 31, 2017 was \$197,690 (2016 - \$88,812). No honoraria were paid to the members of the Board of Directors during the 2017 and 2016 years.

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

**Schedule 1 – Committee Projects and Funding Expenses**

	Operating Fund	Capital Fund	2017	2016
Biosphere centre	\$ 3,189	\$ -	\$ 3,189	\$ 15,079
Biosphere Research Award	20,000	-	20,000	20,000
Canadian Biosphere Reserve Association	500	-	500	-
Celebration of the biosphere	59,763	-	59,763	-
Committee grants	144,833	-	144,833	81,469
Committee logistics	2,683	-	2,683	2,871
Current year projects	82,972	-	82,972	72,439
Eat West Coast	11,173	-	11,173	3,343
Education Success Grant	10,000	-	10,000	10,000
Neighborhood Small Grant	13,529	-	13,529	5,374
Regional program expenses	6,654	-	6,654	1,100
Remote Listening Station	5,298	-	5,298	9,025
Research and education	11,836	-	11,836	-
Scholarships – First Nations	6,000	-	6,000	3,000
Scholarships – USS	15,000	-	15,000	12,000
Tsunami Debris Project	-	-	-	15,000
Vital Signs	2,350	-	2,350	13,684
What I learned	6,000	-	6,000	5,000
Youth and Biosphere	20,112	-	20,112	4,000
	\$ 421,892	\$ -	\$ 421,892	\$ 273,384

**Schedule 2 – Payroll and Staff Expenses**

	Operating Fund	Capital Fund	2017	2016
Canada Pension Plan	\$ 12,046	\$ -	\$ 12,046	\$ 9,880
Employee benefits	16,542	-	16,542	17,524
Employment Insurance	5,544	-	5,544	4,990
Medical Services Plan	5,288	-	5,288	5,414
RRSP contributions	24,344	-	24,344	22,209
Staff professional development	7,877	-	7,877	4,616
Wages and salaries	285,151	-	285,151	242,826
	\$ 356,792	\$ -	\$ 356,792	\$ 307,459

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

**Schedule 3 – General and Administrative Expenses**

	Operating Fund	Capital Fund	2017	2016
Accounting, audit and legal	\$ 29,791	\$ -	\$ 29,791	\$ 24,676
Administrative contract	1,036	-	1,036	-
Advertising and promotions	3,325	-	3,325	2,613
Amortization	-	277	277	354
Board logistics	7,342	-	7,342	9,206
Board retreat and travel	7,211	-	7,211	-
Cabin maintenance	2,076	-	2,076	2,687
Communications	2,171	-	2,171	2,016
Community Foundations of Canada	5,764	-	5,764	4,847
Courier and postage	421	-	421	607
Dues, fees and licenses	461	-	461	326
Fund management	65,335	-	65,335	55,008
Fundraising	540	-	540	696
Hospitality	1,560	-	1,560	1,455
Insurance	8,047	-	8,047	7,204
Interest and bank charges	36	-	36	852
Internet	760	-	760	1,544
Office supplies and maintenance	11,370	-	11,370	8,185
Rent	44,880	-	44,880	42,840
Telephone	5,915	-	5,915	6,623
Travel – national and international	12,293	-	12,293	6,215
Travel – regional	4,663	-	4,663	7,942
Website and software	9,259	-	9,259	-
	\$ 224,256	\$ 277	\$ 224,533	\$ 185,896

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

**Schedule 4 – West Coast N.E.S.T.**

	Operating Fund	Capital Fund	2017	2016
<b>Revenue</b>				
West Coast N.E.S.T	\$ 112,000	\$ -	\$ 112,000	\$ -
Amounts deferred to subsequent year	(27,000)	-	(27,000)	-
<b>Total current year revenue</b>	85,000	-	85,000	-
<b>Expenses</b>				
West Coast N.E.S.T	69,991	-	69,991	73,806
N.E.S.T. - Wages and salaries	28,125	-	28,125	-
<b>Total expenses</b>	98,116	-	98,116	73,806
	\$ (13,116)	\$ -	\$ (13,116)	\$ (73,806)

**Schedule 5 – Coastal Family Resource Coalition**

	Operating Fund	Capital Fund	2017	2016
<b>Revenue</b>				
Coastal Family Resource Coalition	\$ 43,469	\$ -	\$ 43,469	\$ -
CFRC - Literacy	48,346	-	48,346	-
CFRC - Communications	8,531	-	8,531	-
Amounts deferred to subsequent year	(59,574)	-	(59,574)	-
<b>Total current year revenue</b>	40,772	-	40,772	-
<b>Expenses</b>				
Coastal Family Resource Coalition	25,120	-	25,120	-
CFRC - Literacy	13,992	-	13,992	-
CFRC - Communications	1,660	-	1,660	-
<b>Total expenses</b>	40,772	-	40,772	-
	\$ -	\$ -	\$ -	\$ -

**Schedule 6 – Leadership Vancouver Island**

	Operating Fund	Capital Fund	2017	2016
<b>Revenue</b>				
Leadership Vancouver Island	\$ 37,300	\$ -	\$ 37,300	\$ 32,036
Amounts deferred to subsequent year	(19,411)	-	(19,411)	-
<b>Total current year revenue</b>	17,889	-	17,889	32,036
Leadership Vancouver Island expense	17,889	-	17,889	31,675
	\$ -	\$ -	\$ -	\$ 361