



**CLAYOQUOT BIOSPHERE
TRUST SOCIETY**

**Financial Statements
December 31, 2018**

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INDEPENDENT AUDITORS' REPORT

TO THE DIRECTORS OF CLAYOQUOT BIOSPHERE TRUST SOCIETY

Report on the Financial Statements

Opinion

We have audited the financial statements of Clayoquot Biosphere Trust Society (the "Society"), which comprise the statement of financial position as at December 31, 2018, and the statements of revenues and expenditures, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Society as at December 31, 2018, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. 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 Society in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, 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 and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with ASNPO, 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 Society'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 Society or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Society's financial reporting process.

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 Canadian generally accepted auditing standards 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 Canadian generally accepted auditing standards, 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 the purpose of expressing an opinion on the effectiveness of the Society'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 Society'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 Society 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.

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 the preceding year.

Smythe LLP

Chartered Professional Accountants

Vancouver, British Columbia
May 9, 2019

CLAYOQUOT BIOSPHERE TRUST SOCIETY
Statement of Financial Position
December 31

	2018	2017
Assets		
Current		
Cash	\$ 43,983	\$ 74,783
Receivables	7,498	3,498
Prepaid expenses	4,693	4,740
	56,174	83,021
Investments – Canada Fund		
Canadian Equity	5,341,963	6,691,678
Global Equity	2,745,615	3,902,849
Canadian Government Bond	1,545,409	1,067,076
Canadian Plus Bond	4,293,184	5,266,191
Canadian T-Bill	2,362,035	912,172
Reserve Fund Canadian T-Bill	530,268	-
Short-Term Bond	165,112	-
	16,983,586	17,839,966
Investments – Community Foundation Fund		
Canadian Equity	22,464	14,270
Global Equity	11,520	11,236
Canadian Government Bond	6,447	8,489
Canada Plus Bond	18,017	8,575
Canadian T-Bill	10,018	2,900
Short-Term Bond	697	-
	69,163	45,470
Total Investments	17,052,749	17,885,436
Deposit Receivable	6,400	6,400
Equipment (note 3)	11,774	11,989
	18,174	18,389
	\$ 17,127,097	\$ 17,986,846
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 25,391	\$ 28,944
Government remittances payable	8,749	8,099
Deferred revenue	192,987	105,985
	227,127	143,028
Net Assets	16,899,970	17,843,818
	\$ 17,127,097	\$ 17,986,846

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	2018	2017
Revenues							
Unrestricted endowment investment income	\$ -	\$ 124,198	\$ -	\$ -	\$ 2,377	\$ 126,575	\$ 679,245
Unrealized restricted endowment loss	-	(681,333)	-	-	(3,735)	(685,068)	285,929
Increase to restricted endowment	-	-	-	379,347	-	379,347	252,898
Regional program funding	9,146	-	-	-	-	9,146	141,357
Contributions	68,019	-	-	-	-	68,019	136,730
West Coast N.E.S.T. (schedule 4)	133,770	-	-	-	-	133,770	85,000
Corporate fundraising	67,181	-	-	-	-	67,181	46,670
Coastal Family Resources (schedule 5)	136,018	-	-	-	-	136,018	40,772
Program admin and coordination	60,272	-	-	-	-	60,272	35,335
Leadership Vancouver Island (schedule 6)	14,728	-	-	-	-	14,728	17,889
Rent	21,600	-	-	-	-	21,600	17,400
Education fund – Genus	3,000	-	-	-	-	3,000	3,000
	513,734	(557,135)	-	379,347	(1,358)	334,588	1,742,225
Expenditures							
Committee projects and funding expenses (schedule 1)	340,064	-	-	-	-	340,064	421,892
Payroll and staff (schedule 2)	457,988	-	-	-	-	457,988	356,792
General and administrative (schedule 3)	220,704	-	215	-	-	220,919	224,533
West Coast N.E.S.T. (schedule 4)	133,770	-	-	-	-	133,770	98,116
Coastal Family Resources (schedule 5)	136,018	-	-	-	-	136,018	40,772
Leadership Vancouver Island (schedule 6)	14,728	-	-	-	-	14,728	17,889
	1,303,272	-	215	-	-	1,303,487	1,159,994
Excess (Deficiency) of Revenues over Expenditures	\$ (789,538)	\$ (557,135)	\$ (215)	\$ 379,347	\$ (1,358)	\$ (968,899)	\$ 582,231

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	2018	2017
Balance, Beginning of Year	\$ (53,602)	\$ 1,351,025	\$ 11,989	\$ 16,488,936	\$ 45,470	\$ 17,843,818	\$ 17,236,482
Excess (Deficiency) of Revenues over Expenditures	(789,538)	(557,135)	(215)	379,347	(1,358)	(968,899)	582,231
Endowment Contributions	-	-	-	-	25,051	25,051	25,105
Interfund Transfers	678,587	(678,587)	-	-	-	-	-
Balance, End of Year	\$ (164,553)	\$ 115,303	\$ 11,774	\$ 16,868,283	\$ 69,163	\$ 16,899,970	\$ 17,843,818

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

	2018	2017
Operating Activities		
Excess (deficiency) of revenues over expenditures	\$ (968,899)	\$ 582,231
Items not involving cash		
Unrealized loss (gain) on investments	685,068	(312,161)
Amortization	215	277
	(283,616)	270,347
Changes in non-cash working capital		
Receivables	(4,000)	968
Prepaid expenses	47	2,561
Accounts payable and accrued liabilities	(3,553)	(30,754)
Government remittances payable	650	3,530
Deferred revenue	87,002	105,985
	80,146	82,290
Cash Provided by (Used in) Operating Activities	(203,470)	352,637
Investing Activity		
Increase in endowment funds	25,051	25,105
Reinvested income	(487,881)	(931,021)
Withdrawal from investments	635,500	594,838
Cash Provided by (Used in) Investing Activities	172,670	(311,078)
Increase (Decrease) in Cash	(30,800)	41,559
Cash, Beginning of Year	74,783	33,224
Cash, End of Year	\$ 43,983	\$ 74,783

CLAYOQUOT BIOSPHERE TRUST SOCIETY

Notes to Financial Statements

Year Ended December 31, 2018

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, 2018

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

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, 2018

3. EQUIPMENT

	2018			2017	
	Cost	Accumulated Amortization	Net	Net	
Artwork	\$ 11,000	\$ -	\$ 11,000	\$ 11,000	
Furniture and equipment	12,328	11,655	673	844	
Computer equipment	13,812	13,711	101	145	
Library material	6,000	6,000	-	-	
Leasehold improvements	5,260	5,260	-	-	
	\$ 48,400	\$ 36,626	\$ 11,774	\$ 11,989	

4. FUNDING AGREEMENT OBLIGATION

At December 31, 2018, the Funding Agreement obligation is \$16,868,283 (2017 - \$16,488,936). This is represented by the original federal contribution of \$12,000,000 plus a cumulative cost of living allowance adjustment of \$4,868,283 (2017 - \$4,488,936) for inflation using the Annual Average Consumer Price Index.

	2018	2017
Balance, beginning of year	\$ 16,488,936	\$ 16,236,038
Funding agreement inflation adjustment	379,347	252,898
Balance, end of year	\$ 16,868,283	\$ 16,488,936

At December 31, 2018, 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 2.3% (2017 - 1.7%).

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, 2018

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, 2018

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 \$96,007 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 (2017 - two) with remuneration over \$75,000. The total remuneration for these individuals for the year ended December 31, 2018 was \$207,671 (2017 - \$197,690). No honoraria were paid to the members of the Board of Directors during the 2018 and 2017 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	2018	2017
Biosphere Centre	\$ 10,114	\$ -	\$ 10,114	\$ 3,189
Biosphere Research Award	20,000	-	20,000	20,000
Canadian Biosphere Reserve Association	6,195	-	6,195	500
Celebration of the biosphere	3,252	-	3,252	59,763
Committee grants	102,506	-	102,506	144,833
Committee logistics	3,167	-	3,167	2,683
Current year projects	80,000	-	80,000	82,972
Eat West Coast	35,887	-	35,887	11,173
Education Success Grant	-	-	-	10,000
Neighborhood Small Grant	15,201	-	15,201	13,529
Regional program expenses	-	-	-	6,654
Remote Listening Station	4,931	-	4,931	5,298
Research and education	12,565	-	12,565	11,836
Education awards – NCN	9,000	-	9,000	6,000
Education awards – non NCN	6,000	-	6,000	15,000
Students on Ice	7,000	-	7,000	-
Tsunami Debris Project	-	-	-	-
Vital Signs	16,246	-	16,246	2,350
What I learned	6,000	-	6,000	6,000
Youth and Biosphere	2,000	-	2,000	20,112
	\$ 340,064	\$ -	\$ 340,064	\$ 421,892

Schedule 2 – Payroll and Staff Expenses

	Operating Fund	Capital Fund	2018	2017
Canada Pension Plan	\$ 15,722	\$ -	\$ 15,722	\$ 12,046
Employee benefits	21,369	-	21,369	16,542
Employment Insurance	7,285	-	7,285	5,544
Medical Services Plan	3,638	-	3,638	5,288
RRSP contributions	36,942	-	36,942	24,344
Staff professional development	7,854	-	7,854	7,877
Wages and salaries	365,178	-	365,178	285,151
	\$ 457,988	\$ -	\$ 457,988	\$ 356,792

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

Schedule 3 – General and Administrative Expenses

	Operating Fund	Capital Fund	2018	2017
Accounting, audit and legal	\$ 32,852	\$ -	\$ 32,852	\$ 29,791
Administrative contract	-	-	-	1,036
Advertising and promotions	2,904	-	2,904	3,325
Amortization	-	215	215	277
Board logistics	8,266	-	8,266	7,342
Board retreat and travel	4,486	-	4,486	7,211
Cabin maintenance	1,722	-	1,722	2,076
Communications	1,440	-	1,440	2,171
Community Foundations of Canada	5,719	-	5,719	5,764
Courier and postage	566	-	566	421
Dues, fees and licenses	5,188	-	5,188	461
Fund management	66,466	-	66,466	65,335
Fundraising	357	-	357	540
Hospitality	2,745	-	2,745	1,560
Insurance	8,618	-	8,618	8,047
Interest and bank charges	25	-	25	36
Internet	4,659	-	4,659	760
Office supplies and maintenance	10,326	-	10,326	11,370
Rent	48,232	-	48,232	44,880
Telephone	6,421	-	6,421	5,915
Travel – national and international	3,969	-	3,969	12,293
Travel – regional	5,412	-	5,412	4,663
Website and software	330	-	330	9,259
	\$ 220,703	\$ 215	\$ 220,918	\$ 224,533

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	2018	2017
Revenue				
West Coast N.E.S.T	\$ 230,080	\$ -	\$ 230,080	\$ 112,000
Regional program funding	31,010	-	31,010	-
Amounts deferred to subsequent year	(127,320)	-	(127,320)	(27,000)
Total current year revenue	133,770	-	133,770	85,000
Expenses				
West Coast N.E.S.T	73,013	-	73,013	69,991
N.E.S.T. - Wages and salaries	60,757	-	60,757	28,125
Total expenses	133,770	-	133,770	98,116
	\$ -	\$ -	\$ -	\$ (13,116)

Schedule 5 – Coastal Family Resource Coalition

	Operating Fund	Capital Fund	2018	2017
Revenue				
Coastal Family Resource Coalition	\$ 54,641	\$ -	\$ 54,641	\$ 43,469
CFRC - Literacy	100,808	-	100,808	48,346
CFRC - Communications	4,733	-	4,733	8,531
Children's Resilience Initiative	34,320	-	34,320	-
Amounts deferred to subsequent year	(58,484)	-	(58,484)	(59,574)
Total current year revenue	136,018	-	136,018	40,772
Expenses				
Coastal Family Resource Coalition	39,473	-	39,473	25,120
CFRC - Literacy	79,346	-	79,346	13,992
CFRC - Communications	331	-	331	1,660
Children's Resilience Initiative	16,868	-	16,868	-
Total expenses	136,018	-	136,018	40,772
	\$ -	\$ -	\$ -	\$ -

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

Schedule 6 – Leadership Vancouver Island

	Operating Fund	Capital Fund	2018	2017
Revenue				
Leadership Vancouver Island	\$ 21,911	\$ -	\$ 21,911	\$ 37,300
Amounts deferred to subsequent year	(7,183)	-	(7,183)	(19,411)
Total current year revenue	14,728	-	14,728	17,889
Leadership Vancouver Island expense	14,728	-	14,728	17,889
	\$ -	\$ -	\$ -	\$ -