Habitat Conservation Trust Foundation

Financial Statements

March 31, 2015

Habitat Conservation Trust Foundation

Statement of Management Responsibility

Management, in accordance with Canadian accounting standards for not-for-profit organizations, has prepared the financial statements of the *Habitat Conservation Trust Foundation*. Subject to the qualifications identified in the attached Auditor's Report, these statements present fairly the financial position of the organization as at March 31, 2015 and results of its operations for the year ended March 31, 2015.

Management is responsible for the preparation, integrity and objectivity of the financial statements. Systems of internal control are developed and maintained by management to provide reasonable assurance that transactions are properly authorized, assets are safeguarded, and financial records are properly maintained to provide a reliable basis for preparation of the financial statements.

Alex G. Mackie, CPA, Chartered Accountant, has performed an independent review of the financial statements. The attached Auditor's Report outlines the scope of his work on the financial statements of the *Habitat Conservation Trust Foundation*.

Brian Springinotic
Chief Executive Officer, HCTF

Aaron Bremner
Chief Financial Officer, HCTF

Victoria, British Columbia
September 16, 2015

Alex G. Mackie, CPA, CA
3421 Robson Place
Victoria, BC
V9C 0J2

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the Habitat Conservation Trust Foundation:

Report on the Financial Statements

I have audited the accompanying financial statements of the Habitat Conservation Trust Foundation, which comprise the Statement of Financial Position as at March 31, 2015, and the Statement of Operations, Statement of Cash Flows, and Statement of Operations and Changes in Fund Balances 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I 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 entity'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 entity'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.

I believe that the audit evidence I have obtained is sufficient and appropriate, subject to the limitations described in the following paragraph, to provide a basis for my modified audit opinion.

Basis for Qualified Opinion

The following matters require me to qualify my opinion on these financial statements:

- Certain revenues and deferred revenues of the Habitat Conservation Trust Foundation could not be verified as the organization does not have the information available to enable it to confirm the amounts earned or owing. Consequently, my audit of the organization's income and deferred revenue from these sources was limited to a review of the revenue recorded in the books, and, where appropriate, through confirmation with the government agency responsible for accounting for that revenue.
- As is the case in many organizations of this kind, the Habitat Conservation Trust Foundation obtains some of its income in the form of gifts in cash, in-kind or through voluntary labour or contributed services, which, by their nature, cannot form the subject of a detailed audit.

Opinion

In my opinion, except for the effects of adjustments, if any, that might have been determined to be necessary had I been able to carry out the audit procedures necessary to confirm the matters referred to in the preceding paragraph, these financial statements present fairly in all material respects the Statement of Financial Position as at March 31, 2015, and the Statements of Operations, Fund Balances and Cash Flows of the Habitat Conservation Trust Foundation for the year ended March 31, 2015 in accordance with Canadian Accounting Standards for Not-For-Profit Organizations.

Alex G. Mackie
CPA, CHARTERED ACCOUNTANT

Victoria, British Columbia
September 22, 2015

HABITAT CONSERVATION TRUST FOUNDATION
Statement of Financial Position
March 31, 2015

	2015	2014 (note 12)
	($)	($)
ASSETS		
CURRENT		
Cash and short term investments (note 3)	27,148,493	25,295,028
Accounts receivable	766,021	635,805
Prepaid expenses	4,954	12,262
	27,919,468	25,943,095
OTHER ASSETS		
Inventory - educational publications	158,506	149,799
Capital assets (note 4)	39,961	55,132
	28,117,935	26,148,026
LIABILITIES AND FUND BALANCES		
CURRENT LIABILITIES		
Accounts payable	1,664,430	1,419,400
Leave liability	86,490	79,839
	1,750,920	1,499,239
DEFERRED CONTRIBUTIONS (note 5)		
Long-term restricted	13,500,000	13,500,000
Other restricted	1,066,323	1,180,176
	14,566,323	14,680,176
	16,317,243	16,179,415
FUND BALANCES (schedule 1)	11,800,692	9,968,611
	28,117,935	26,148,026

Commitments (note 10)

On behalf of the Board

_____ *Chair*

_____ *Director*

The accompanying notes are an integral part of these financial statements.

HABITAT CONSERVATION TRUST FOUNDATION
Statement of Operations
For the Year Ended March 31, 2015

	2015	2014 (note 12)
	($)	($)
REVENUE (note 6)		
Surcharge revenue	6,701,020	6,117,179
Sales of educational material and educational contributions	19,963	25,741
General donations	11,663	3,630
Land management	88,465	255,134
Investment income	1,710,214	1,616,949
Restricted contributions	441,353	596,601
Special Permits Auction	150,725	122,003
	9,123,403	8,737,237
EXPENSES		
Project expenses (schedule 1)	6,219,268	7,317,892
Administration (note 7)	1,072,054	1,020,887
	7,291,322	8,338,779
EXCESS OF REVENUE OVER EXPENSES	1,832,081	398,458
FUND BALANCES, BEGINNING	9,968,611	9,570,153
FUND BALANCES, ENDING	11,800,692	9,968,611

The accompanying notes are an integral part of these financial statements.

HABITAT CONSERVATION TRUST FOUNDATION
Statement of Cash Flows
For the Year Ended March 31, 2015

	2015	2014 (note 12)
	($)	($)
OPERATING ACTIVITIES		
Excess of revenue over expenses	1,832,081	398,458
Items not affecting cash:		
Amortization	26,356	13,670
	1,858,437	412,128
Changes in non-cash working capital:		
Accounts receivable	(130,216)	114,402
Prepaid expenses	7,308	(5,274)
Accounts payable	245,030	(1,081,521)
Leave liability	6,651	8,062
Deferred contributions - restricted general	(79,267)	(48,050)
Deferred contributions - court awards	(34,586)	(335,401)
	14,920	(1,347,782)
Cash from / (used in) operating activities	1,873,357	(935,654)
INVESTING ACTIVITIES		
(Increase in) / Reductions in publications inventory (net)	(8,707)	12,856
Additions to capital assets (net)	(11,185)	(36,650)
Cash used in investing activities	(19,892)	(23,794)
DECREASE IN CASH	1,853,465	(959,448)
CASH - Beginning of year	25,295,028	26,254,476
CASH - End of year	27,148,493	25,295,028
COMPRISED OF:		
Cash	7,145,635	7,924,950
Short term investments	20,002,858	17,370,078
	27,148,493	25,295,028

The accompanying notes are an integral part of these financial statements.

HABITAT CONSERVATION TRUST FOUNDATION
Schedule 1 - Statement of operations and changes in fund balances
For the year ended March 31, 2015
($)

	Surcharge Account							External Agency Account	Special Programs Account	Total
	Operating Fund	*Grizzly Bear Conservation Strategy*	*Sturgeon Fund*	*Quality Waters (River Guardian)*	*Education Fund (Wild BC)*	*Conservation Land Management Account*	*Public Conservation Assistance Fund*			
Revenue										
Surcharge revenue	5,680,647	244,768	278,378	476,637	-	-	-	-	20,590	6,701,020
Sales of educational material and educational contributions	-	-	-	-	19,963	-	-	-	-	19,963
General donations	11,063	-	-	-	-	600	-	-	-	11,663
Land Management	-	-	-	-	-	88,465	-	-	-	88,465
Investment income	232,492	-	-	-	-	1,364,395	99,954	671	12,702	1,710,214
Restricted contributions	361,687	400	-	-	-	-	-	79,266	-	441,353
Special Permits Auction	-	-	-	-	-	-	-	-	150,725	150,725
Total revenue	6,285,889	245,168	278,378	476,637	19,963	1,453,460	99,954	79,937	184,017	9,123,403
Expenses										
Project expenses										
Fisheries	1,494,909	-	375,627	470,866	-	-	-	-	17,938	2,359,340
Wildlife	1,486,232	221,016	-	-	-	589,937	-	81,592	167,913	2,546,690
Information / Education / Stewardship	435,767	-	-	-	376,146	-	133,016	6,172	-	951,101
Land Acquisitions	334,498	-	-	-	-	-	-	-	(10,819)	323,679
Court Award Bad Debt Expense	38,458	-	-	-	-	-	-	-	-	38,458
Sub-total project expenses	3,789,864	221,016	375,627	470,866	376,146	589,937	133,016	87,764	175,032	6,219,268
Administration	932,383	18,358	20,878	23,832	-	65,509	7,099	-	3,995	1,072,054
Total expenses	4,722,247	239,374	396,505	494,698	376,146	655,446	140,115	87,764	179,027	7,291,322
Excess / (Deficiency) of revenues over expenses	1,563,642	5,794	(118,127)	(18,061)	(356,183)	798,014	(40,161)	(7,827)	4,990	1,832,081
Fund balances, beginning	2,798,790	203,259	570,710	834,977	174,602	4,046,271	269,884	21,127	1,048,991	9,968,611
Interfund transfers	(430,651)	-	-	-	330,651	-	100,000	-	-	-
Fund balances, ending *	3,931,781	209,053	452,583	816,916	149,070	4,844,285	329,723	13,300	1,053,981	11,800,692
Long-term restricted contributions	-	-	-	-	-	12,500,000	1,000,000	-	-	13,500,000
Fund balances including long-term restricted contributions	3,931,781	209,053	452,583	816,916	149,070	17,344,285	1,329,723	13,300	1,053,981	25,300,692

* Fund balances consist of cash and non-cash items.

The accompanying notes are an integral part of these financial statements.

HABITAT CONSERVATION TRUST FOUNDATION

Notes to Financial Statements

1. Purpose of the Organization

The Habitat Conservation Trust Foundation (HCTF) is a Society, incorporated under the *Society Act* in April, 2007. Its purpose is to act as trustee of the Habitat Conservation Trust (HCT), an entity established under amendments to the *Wildlife Act* in 2007 to replace the former Habitat Conservation Trust Fund, established by legislation in 1996. HCTF does not have assets, liabilities, equity, revenue or expenses other than those of the HCT.

Consistent with the trust purposes set out in the *Wildlife Act*, HCTF implements a wide range of projects to benefit fish and wildlife populations and their habitats. Project proposals can be submitted by all levels of government, conservation organizations, private industry and members of the general public.

HCTF operates using a fund accounting model which is discussed in detail under note 2(a).

Three restricted special accounts are consolidated in the organization's audited financial statements. The three funds are as follows: i) Special Permits Enhancement Fund; ii) the Highland Valley Enhancement Fund; and iii) the Arrow Lake Logging Trust.

2. Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO) using the following significant accounting policies:

a. Fund accounting

HCTF operations are divided into three parent funds: i) Surcharge Account; ii) External Agency Account; and iii) Special Programs Account.

i) Surcharge Account

Within the Surcharge Account, there are several individual funds. Revenue and expenses related to general program delivery and administrative activities are reported in the Operating Fund. Revenues and expenses related to the Grizzly Bear Conservation Strategy, the Sturgeon Fund, the Quality Waters program, Education Fund (Wild BC), the Conservation Land Management Account (CLMA), and the Public Conservation Assistance Fund (PCAF) are reported in their own individual funds.

ii) External Agency Account

Most revenue and expenses related to contributions received from public and private sector conservation partners are reported under the External Agency Account. Funds received under this account generally carry restrictions on how they can be spent.

iii) Special Programs Account

The Special Programs Account is comprised of several long-term initiatives that are primarily funded from external sources. The revenue and expenses related to the Special Permits Enhancement Fund, the Highland Valley Enhancement Fund, and the Arrow Lake Logging Trust are consolidated under this account.

The activities carried out under the Special Programs Account are restricted to uses that are consistent with the governing documents that establish the individual initiatives.

iv) Administration Fees Charged to Restricted Accounts

For certain restricted funds under management, HCTF charges an administration fee to offset some of the costs associated with administering these funds.

b. Revenue Recognition

HCTF follows the deferral method of accounting for contributions. Restricted contributions, including all court awards, are set-up as deferred revenue and only recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue of the appropriate fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

c. Accounts Receivable

Included in the accounts receivable are overdue court ordered payments relating to environmental prosecutions. HCTF considers it unlikely that it will collect on certain court ordered payments. To reflect this uncertainty, HCTF has established an allowance for doubtful accounts of 100% of all court ordered receivables that have not been received within two years of the due date, and 50% of those unpaid between one and two years past the due date.

d. Expense Recognition

HCTF recognizes expenses using the accrual basis of accounting except for payments of conditional grants under which funds are charged to operating expenses when prescribed conditions have been met.

Most conditional grant agreements with project proponents include a holdback clause which is released upon receiving a final report. Project proponents generally have up to six months after the end of their agreement to complete final reporting. Payment holdbacks are recorded and tracked as future year commitments when prescribed conditions have not been met by March 31st.

e. Capital Assets

Capital assets purchased for the purpose of administering the affairs of HCTF are recorded at cost and amortized on a straight-line basis using the following rates:

Computer hardware and software	3 years
Office furniture and equipment	5 years
Leasehold improvements	Lesser of 5 years or remaining lease term

Assets costing less than $1,000 are expensed in the year of acquisition.

Capital assets purchased by project proponents are charged to operating expense in the year the expenditures are made.

f. Publication Inventory

Publications are valued at the lower of cost and net realizable value.

g. Financial Instruments

HCTF's financial instruments include short-term investments, accounts receivable, and accounts payable. Under standards released by the Canadian Institute of Chartered Accountants, all financial instruments must be recognized at fair value upon initial acquisition. Management is also required to classify all financial instruments as held-for-trading, available-for-sale, held-to-maturity, loans and receivables, or other financial liabilities. Transaction costs are expensed as incurred for all financial instruments. Financial assets and financial liabilities classified as held-for-trading are measured at fair value with changes in those fair values recognized in net income.

HCTF has classified all of its financial instruments as held-for-trading and accordingly they are presented on the balance sheet at fair value. Changes in fair value are recognized in net income of the current period as required by the standard.

h. Use of Estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts and disclosure of assets and liabilities at the date of the financial statements. Actual results could differ from these estimates.

3. Cash and Short Term Investments

During the year, HCTF utilized the banking services of Toronto Dominion Bank and its wholly owned subsidiaries for the management of its cash and short term investments.

	2015 ($)	2014 ($)
Toronto Dominion Bank		
Cash	7,145,635	7,924,950
Short Term Investments		
Equities	9,860,716	10,434,934
Fixed Income (including liquid investments)	10,142,142	6,935,144
Total Cash and Short Term Investments	27,148,493	25,295,028

4. Capital Assets

	Cost ($)	Accumulated Amortization ($)	Net Book Value 2015 ($)	Net Book Value 2014 ($)
Office Furniture and Equipment	52,844	48,096	4,748	12,446
Computer Hardware	40,285	14,154	26,131	34,529
Computer Software	77,191	68,109	9,082	8,157
Leasehold Improvements	6,048	6,048	-	-
	176,368	136,407	39,961	55,132

5. Deferred Contributions

Deferred contributions relating to projects are as follows:

	2015 ($)	2014 ($)
Balance – Beginning of year	14,680,176	15,063,627
Summary of deferred contributions during the year		
Set up as deferred	327,500	213,100
Recognized as revenue	(441,353)	(596,551)
Balance – end of year	14,566,323	14,680,176

Certain contributions received by HCTF do not have time restrictions. Included in the end of year balance are two long-term restricted contributions totalling $4.5 million that the Board has decided to treat in a manner similar to endowments.

In addition to these long-term restricted contributions, HCTF holds and administers a separate restricted endowment of $9 million to be used for operating and management costs on conservation lands. The investment income earned on $6 million is to be used for activities on lands jointly managed by the Nature Trust and the Province of BC. The investment income earned on $3 million is to be used for activities on lands managed by other land conservation groups.

The remaining balance is comprised of court awards $856,202 (2014 - $890,788), and other external agency contributions $210,121 (2014 - $289,388).

6. Revenue

i. **Surcharge revenue** - The majority of HCTF's revenue arises from surcharges placed on hunting, angling, trapping and guide outfitting licences sold in British Columbia. Under the provisions of the *Wildlife Act*, these surcharges are assessed and collected by government acting as agent of HCTF. HCTF relies on the government to provide reporting on surcharge sales and to forward this revenue on a set schedule.

   Changes in government accounting policy regarding revenue recognition could result in a material impact on HCTF's financial statements. In 2014/15, government changed how it accounts for a selected surcharge item resulting in a one-time increase of surcharge revenue of approximately $125K.

ii. **Sales of educational material and educational contributions** – HCTF sells educational resources including publications and workshop services. It also receives contributions from partners for education-based initiatives.

iii. **Donations** – HCTF receives a small number of direct cash donations each year. Cash donations are recorded as revenue when received.

iv. **Land management fees** – Under the provisions of the *Wildlife Act*, HCTF receives revenue derived from land owned or leased by the Crown and administered by the provincial government for the benefit of fish and wildlife. Examples of such revenue include grazing fees for cattle, and movie production fees for land rental. HCTF relies on the government to collect and report on land management fees and to forward this revenue on a set schedule.

v. **Restricted contributions** – From time to time, conservation partners provide HCTF contributions to undertake specific fish, wildlife, stewardship or habitat projects. The amount of contributions varies each year. In addition, British Columbia courts occasionally direct a person or organization to pay remedial, rehabilitative or other monetary compensation to HCTF for different types of environmental reparations.

7. Administration Expenses

HCTF incurred the following administration expenses:

	2015 ($)	2014 ($)
Amortization	26,356	13,670
Audit (Financial)	12,525	15,948
Board Compensation	19,900	20,950
Communications	18,332	12,371
Insurance	12,975	20,261
Investment / Banking Fees	76,399	66,765
Legal Services	6,278	315
Office and Miscellaneous	95,338	81,281
Office Space – Rent	77,968	77,541
Professional Services	103,856	113,050
Repairs and Maintenance	7,030	6,296
Salaries and Benefits	552,754	539,193
Training	3,343	2,129
Travel	59,000	51,117
Total	1,072,054	1,020,887

8. Management of Risks Arising From Financial Instruments

HCTF's financial instruments are exposed to varying degrees of interest rate risk, market risk, and credit risk due to their nature and the volatility inherent in the marketplace for financial instruments. HCTF employs strategies to manage the risks as follows:

Interest rate risk

HCTF carries a significant portion of its funds in cash invested with Toronto Dominion Bank. By their nature, these funds provide guaranteed interest income.

Market risk

HCTF has engaged the services of TD Waterhouse, Private Client Services to manage the portfolio of assets it holds in short-term investments. Short-term fluctuations in the value of this portfolio are to be expected, and market changes are managed under a moderately conservative risk profile.

Credit risk

Substantially all of HCTF's accounts receivable are due from the Province of British Columbia and relate to amounts payable under the provisions of the *Wildlife Act*. Management regards the potential for non-payment of these accounts as highly unlikely.

Other accounts receivable are due from individuals and organizations that have been ordered by British Columbia courts to pay amounts to HCTF under various creative sentencing provisions contained in legislative enactments. Provision has been made for those accounts to allow for potential uncollectible amounts - see Note 2(c).

9. Financial Dependence

Under the provisions of the *Wildlife Act*, HCTF is the designated trustee of the Habitat Conservation Trust (HCT). The HCT is the designated recipient of revenues arising from two primary sources: surcharges on licences and permits issued in the Province of British Columbia for hunting, angling, trapping and guide outfitting; and lands administered by the Minister of Forests, Lands and Natural Resource Operations for the benefit of fish or wildlife. Together, these revenues accounted for 74% of HCTF's total revenue during the 2014/15 fiscal year (2013/14 – 73%).

These revenue streams would only be discontinued by amending legislation to alter payments into the HCT. Management considers it unlikely that such amendments will be made in the foreseeable future.

10. Future Year Commitments

HCTF has commitments as follows:

	Project carry-overs including holdbacks ($)	Project carry-overs from deferred contributions ($)	Office space lease ($)	Total Commitments ($)
2016	2,200,828	116,050	82,000	2,398,878
2017	-	-	82,000	82,000
2018	-	-	82,000	82,000
2019	-	-	82,000	82,000
2020	-	-	83,000	83,000
	2,200,828	116,050	411,000	2,727,878

Note, commitment amounts do not account for future plans to internally restrict funds or re-allocate funds through inter-fund transfers.

11. Employee Future Benefits

Pension Plan

HCTF has a defined benefit plan providing pension and other retirement benefits to its employees. HCTF and its employees contribute to the BC Public Service Pension Plan in accordance with the *Public Sector Pension Plans Act*. The act established the British Columbia Pension Corporation (BCPC), which administers the BC Public Service Pension Plan, including payment of pension benefits to employees to whom the act applies. The BCPC operates on a not-for-profit basis under the provisions of the *Public Sector Pension Plans Act*, and administers many large pension plans in British Columbia.

The employer contribution rate to the Public Service Pension Plan at March 31, 2015 is 9.43% of the pensionable salary up to the year's maximum pensionable earnings and 10.93% on pensionable salary in excess of the year's maximum pensionable earnings. The year's maximum pensionable earnings for calendar year 2015 are $53,600 (2014 - $52,500).

HCTF expenses contributions to the plan in the year in which payments are made. Contributions to the plan by HCTF during 2014/15 totaled $53,794 (2013/14 - $54,421).

Supplemental retirement benefit

As provided for under the collective agreement and terms of employment, all HCTF employees that work for the required number of years are also eligible for a pre-retirement allowance benefit. HCTF has established a retirement allowance to cover the potential payout of this benefit, and adjusts the balance in the account each year to reflect the years of service, the age of the employees, present value calculations and various statistical considerations. The following assumptions were used in calculating the 2014/15 estimated allowance:

Discount rate:	2.37%
General staff retention rate:	85%
Rate of compensation increase:	2%

As any potential differences in the calculation of the allowance fund balance are not considered material, no actuarial assessment has been undertaken to this point.

	2015 ($)	2014 ($)
Retirement Allowance – end of year	54,766	48,077

Total expense recognized during the year was $6,689 (2013/14 – $4,600).

Long term disability

HCTF contributes to a long-term disability multi-employer plan which provides disability income benefits after employment, but before retirement.

HCTF expenses contributions to the plan in the year in which payments are made. The contribution rate is 0.29% (2013/14 – 0.59%) of the employees' salaries. Contributions to the plan by HCTF during 2014/15 totalled $1,568 (2013/14 – $3,140).

12. Comparative Figures

Certain figures for the fiscal year ended March 31, 2014 have been adjusted to reflect the presentation of the current year financial statements.