

**Habitat Conservation Trust Foundation**  
**Financial Statements**  
**March 31, 2009**

# Habitat Conservation Trust Foundation

## Statement of Management Responsibility

Management, in accordance with Canadian generally accepted accounting principles, 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, 2009 and results of its operations for the year ended March 31, 2009.

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, 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  
Executive Director, HCTF



Aaron Bremner  
Chief Financial Officer, HCTF

Victoria, British Columbia  
September 3, 2009

Alex G. Mackie, C.A.  
1981 Ridgeview Rise  
Victoria, BC  
V9B 6J1

## AUDITOR'S REPORT

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

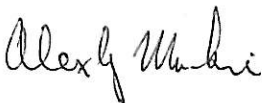
I have audited the Statement of Financial Position as at March 31, 2009, and the Statements of Operations, Fund Balances and Cash Flows of the Habitat Conservation Trust Foundation for the year ended March 31, 2009. These financial statements are the responsibility of the organization's management. My responsibility is to express an opinion on these financial statements based on my audit.

My audit was conducted in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance regarding whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

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 did 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.
- 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.

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, 2009, and the Statements of Operations, Fund Balances and Cash Flows of the Habitat Conservation Trust Foundation for the year ended March 31, 2009 in accordance with Canadian generally accepted accounting principles.



Alex G. Mackie  
CHARTERED ACCOUNTANT

Victoria, British Columbia  
September 3, 2009


**HABITAT CONSERVATION TRUST FOUNDATION**  
**Statement of Financial Position**  
**March 31, 2009**

	2009	2008 (note 11)
	(\$)	(\$)
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash and short term investments (note 3)	22,676,721	13,840,075
Accounts receivable	597,937	9,419,273
Prepaid expenses	5,000	500
	<u>23,279,658</u>	<u>23,259,848</u>
<b>OTHER ASSETS</b>		
Inventory - educational publications	165,782	188,969
Capital assets (note 4)	80,514	32,536
	<u>23,525,954</u>	<u>23,481,353</u>
<b>LIABILITIES AND FUND BALANCES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	1,643,564	1,396,470
Leave liability	12,134	13,469
	<u>1,655,698</u>	<u>1,409,939</u>
<b>DEFERRED CONTRIBUTIONS (note 5)</b>		
Long-term restricted	13,500,000	13,500,000
Other restricted	1,434,896	1,743,503
	<u>14,934,896</u>	<u>15,243,503</u>
	16,590,594	16,653,442
<b>FUND BALANCES ENDING (schedule 1)</b>	<u>6,935,360</u>	<u>6,827,911</u>
	<u>23,525,954</u>	<u>23,481,353</u>

Commitments (note 10)

On behalf of the Board

  
 \_\_\_\_\_ Chair

  
 \_\_\_\_\_ Vice Chair

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

**HABITAT CONSERVATION TRUST FOUNDATION**  
**Statement of Operations**  
**For the Year Ended March 31, 2009**

	2009	2008 (note 11)
	(\$)	(\$)
REVENUE (note 6)		
Surcharge revenue	5,828,191	5,814,019
Sales of educational material and educational contributions	21,099	366,192
General donations	2,000	5,558
Land management	114,033	116,867
Investment income	25,129	370,942
Restricted contributions	738,108	612,861
Other	125,575	42,700
	<u>6,854,135</u>	<u>7,329,139</u>
EXPENSES		
Project expenses (schedule 1)	5,811,357	5,873,587
Administration (note 7)	935,329	851,231
	<u>6,746,686</u>	<u>6,724,818</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	107,449	604,321
FUND BALANCES, BEGINNING	6,827,911	6,223,590
	<u>6,935,360</u>	<u>6,827,911</u>
FUND BALANCES, ENDING		

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, 2009

	2009	2008 (note 11)
	(\$)	(\$)
OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenses	107,449	604,321
Items not affecting cash:		
Amortization	30,996	19,187
	138,445	623,508
Changes in non-cash working capital:		
Accounts receivable	8,821,336	(8,698,391)
Prepaid expenses	(4,500)	-
Accounts payable	247,094	216,143
Leave liability	(1,335)	(7,428)
Deferred contributions - restricted general	(95,862)	8,756,494
Deferred contributions - court awards	(212,745)	141,882
	8,753,988	408,700
Cash from operating activities	8,892,433	1,032,208
INVESTING ACTIVITIES		
Reductions in / (Additions to) publications inventory (net)	23,187	(5,126)
Additions to capital assets (net)	(78,974)	(1,272)
Cash used in investing activities	(55,787)	(6,398)
INCREASE IN CASH	8,836,646	1,025,810
CASH - Beginning of year	13,840,075	12,814,265
CASH - End of year	22,676,721	13,840,075
COMPRISED OF:		
Cash	10,700,532	10,425,280
Short term investments	11,976,189	3,414,795
	22,676,721	13,840,075

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

**HABITAT CONSERVATION TRUST FOUNDATION**  
**Statement of operations and changes in fund balances**  
**For the year ended March 31, 2009**  
**(\$)**

	Surcharge Account					External Agency Account	Special Programs Account	Total
	Operating Fund	Grizzly Bear Conservation Strategy	Sturgeon Fund	Quality Waters (River Guardian)	Wild BC	Conservation Land Operations Account	Public Conservation Assistance Fund	
<b>Revenue</b>								
Surcharge revenue	5,169,537	249,850	77,272	305,202	-	-	-	5,828,191
Sales of educational material and educational contributions	-	-	-	-	21,099	-	-	21,099
General donations	2,000	-	-	-	-	-	-	2,000
Land Management	112,431	-	-	-	-	1,602	-	114,033
Investment income / (loss)	161,645	-	-	-	-	(40,865)	(122,326)	25,129
Restricted contributions	432,246	10,000	-	-	-	-	-	738,108
Other	1,905	-	-	-	-	-	-	125,575
<b>Total revenue</b>	<b>5,879,764</b>	<b>259,850</b>	<b>77,272</b>	<b>305,202</b>	<b>21,099</b>	<b>(39,263)</b>	<b>(122,326)</b>	<b>6,854,135</b>
<b>Expenses</b>								
Project expenses								
Fisheries	1,991,302	-	-	375,052	-	-	-	2,366,354
Wildlife	1,282,513	182,491	-	-	-	200,984	-	1,885,434
Information / Education / Stewardship	510,148	284,059	-	-	378,712	-	43,323	1,231,742
Land Acquisition / Securement	50,000	-	-	-	-	-	-	250,000
Court Award Bad Debt Expense	77,827	-	-	-	-	-	-	77,827
Sub-total project expenses	3,911,790	466,550	-	375,052	378,712	200,984	43,323	5,811,357
Administration	880,838	18,974	-	4,174	-	13,593	8,081	935,329
<b>Total expenses</b>	<b>4,792,628</b>	<b>485,524</b>	<b>-</b>	<b>379,226</b>	<b>378,712</b>	<b>214,577</b>	<b>51,404</b>	<b>6,746,686</b>
Excess / (Deficiency) of revenues over expenses	1,087,136	(225,674)	77,272	(74,024)	(357,613)	(253,840)	(173,730)	107,449
Fund balances, beginning	3,503,983	498,910	-	397,483	422,999	779,835	12,734	6,827,911
Interfund transfers	(322,500)	(12,500)	-	-	130,000	105,000	100,000	-
Fund balances, ending *	4,268,619	260,736	77,272	323,459	195,386	630,995	(60,996)	6,935,360
Long-term restricted contributions	-	-	-	-	-	12,500,000	1,000,000	13,500,000
Fund balances including long-term restricted contributions	4,268,619	260,736	77,272	323,459	195,386	13,130,995	939,004	20,435,360

\* 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

March 31, 2009

### 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 generally accepted accounting principles 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, Wild BC, the Conservation Land Operations Account (CLOA), and the Public Conservation Assistance Fund (PCAF) are reported in their own individual funds.



# HABITAT CONSERVATION TRUST FOUNDATION

## Notes to Financial Statements

March 31, 2009

### 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.

## 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 31<sup>st</sup>.

# HABITAT CONSERVATION TRUST FOUNDATION

## Notes to Financial Statements

March 31, 2009

### 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 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. Upon project completion, project capital assets are stored with regional offices of the Ministry of Environment, and are made available for future HCTF funded projects.

### 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 new 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.

The Foundation 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 new standard.

### h. Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles 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.

# HABITAT CONSERVATION TRUST FOUNDATION

## Notes to Financial Statements

March 31, 2009

### 3. Cash and Short Term Investments

During the year, HCTF utilized the combined banking services of the Provincial Treasury, TD Waterhouse Private Client Services, and Van City Credit Union for the management of its cash and short term investments.

	2009 (\$)	2008 (\$)
Provincial Treasury		
Cash and Short Term Investments	-	10,425,280
TD Waterhouse		
Cash	10,700,532	-
Equities	1,320,540	1,735,276
Fixed Income (including cash)	1,655,649	1,679,519
Sub-total	13,676,721	3,414,795
Van City Credit Union		
GIC's	9,000,000	-
Total Cash and Short Term Investments	22,676,721	13,840,075

### 4. Capital Assets

	Cost (\$)	Accumulated Amortization (\$)	Net Book Value 2009 (\$)	Net Book Value 2008 (\$)
Office Furniture and Equipment	25,517	12,171	13,347	3,568
Computer Hardware	47,621	7,937	39,684	-
Computer Software	49,290	28,568	20,722	14,831
Leasehold Improvements	24,585	17,824	6,761	14,137
	147,013	66,499	80,514	32,536

# HABITAT CONSERVATION TRUST FOUNDATION

## Notes to Financial Statements

March 31, 2009

### 5. Deferred Contributions

Deferred contributions relating to projects are as follows:

	2009 (\$)	2008 (\$)
Balance – Beginning of year	15,243,503	6,345,127
Add: contributions deferred during the year	429,500	9,230,706
Less: contributions recognized as revenue for the year	738,107	332,330
Balance – end of year	14,934,896	15,243,503

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.

During the 2007/08 fiscal year, HCTF received a new endowment totalling \$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 \$871,487 (2008 - \$1,084,232), and other external agency contributions \$563,409 (2008 - \$659,271).

### 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 the HCTF. Government Agent Offices and retail outlets throughout the province collect the surcharges and they are forwarded to HCTF by the Ministry of Environment.
- 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.

# HABITAT CONSERVATION TRUST FOUNDATION

## Notes to Financial Statements

March 31, 2009

- 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.
- 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

Under an agreement with the Public Service Agency of BC, HCTF employs public service employees to administer its affairs.

HCTF incurred the following administration expenses:

	2009 (\$)	2008 (\$)
Amortization	30,996	18,994
Audit (Financial)	12,783	12,695
Board Compensation	21,700	21,115
Communications	19,130	10,750
Insurance	19,266	20,203
Investment / Banking Fees	19,906	20,115
Legal Services	9,130	6,422
Office and Miscellaneous	107,583	69,421
Office Space – Rent	55,131	51,684
Professional Services	71,219	83,015
Salaries and Benefits	433,114	435,553
Training	2,499	1,837
Travel	63,485	56,944
Sub-total HCTF Administration Expenses	865,942	808,748
Costs of transition to Society	69,387	42,483
	935,329	851,231

# HABITAT CONSERVATION TRUST FOUNDATION

## Notes to Financial Statements

March 31, 2009

### 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*

During the year, HCTF earned interest on funds held on its behalf by the Provincial Treasury, TD Waterhouse and Van City Credit Union. The Provincial Treasury Interest was paid at a rate negotiated by the Provincial Treasury through its banking arrangements with an established financial institution. During the 2008/09 fiscal year, all funds held by the Provincial Treasury were transferred to the Foundation to be managed through its arrangements with private banking institutions.

#### *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. HCTF also acquired GIC's through Van City Credit Union and expects to hold these until maturity.

#### *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 where collectability is considered unlikely - see Note 2(c).

# HABITAT CONSERVATION TRUST FOUNDATION

## Notes to Financial Statements

March 31, 2009

### 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 Environment for the benefit of fish or wildlife. Together, these revenues accounted for 87% of HCTF's total revenue during the 2008/09 fiscal year (2007/08 – 81%).

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
	(\$)	(\$)	(\$)	(\$)
2010	2,282,017	182,140	52,500	2,516,657
2011	-	-	-	-
	2,282,017	182,140	52,500	2,516,657

### 11. Comparative Figures

Certain figures for the fiscal year ended March 31, 2008 have been adjusted to reflect the presentation of the current year financial statements.