

Habitat Conservation Trust Foundation
Financial Statements
March 31, 2010



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, 2010 and results of its operations for the year ended March 31, 2010.

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
August 20, 2010

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, 2010, and the Statements of Operations, Fund Balances and Cash Flows of the Habitat Conservation Trust Foundation for the year ended March 31, 2010. 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, 2010, and the Statements of Operations, Fund Balances and Cash Flows of the Habitat Conservation Trust Foundation for the year ended March 31, 2010 in accordance with Canadian generally accepted accounting principles.



Alex G. Mackie
CHARTERED ACCOUNTANT

Victoria, British Columbia
August 20, 2010

HABITAT CONSERVATION TRUST FOUNDATION
Statement of Financial Position
March 31, 2010

	2010	2009
		Restated
		(note 11)
	(\$)	(\$)
ASSETS		
CURRENT		
Cash and short term investments (note 3)	24,531,095	22,676,721
Accounts receivable	717,183	760,964
Prepaid expenses	17,159	5,000
	<u>25,265,437</u>	<u>23,442,685</u>
OTHER ASSETS		
Inventory - educational publications	165,414	165,782
Capital assets (note 4)	87,062	80,514
	<u>25,517,913</u>	<u>23,688,981</u>
LIABILITIES AND FUND BALANCES		
CURRENT LIABILITIES		
Accounts payable	2,232,589	1,643,564
Leave liability	10,585	12,134
	<u>2,243,174</u>	<u>1,655,698</u>
DEFERRED CONTRIBUTIONS (note 5)		
Long-term restricted	13,500,000	13,500,000
Other restricted	1,171,831	1,434,896
	<u>14,671,831</u>	<u>14,934,896</u>
	16,915,005	16,590,594
FUND BALANCES ENDING (schedule 1)	<u>8,602,908</u>	<u>7,098,387</u>
	<u>25,517,913</u>	<u>23,688,981</u>

Commitments (note 10)

On behalf of the Board

W B. Kessl Chair

[Signature] 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, 2010

	2010	2009
	(\$)	(\$)
REVENUE (note 6)		
Surcharge revenue	6,036,769	5,828,191
Sales of educational material and educational contributions	35,222	21,099
General donations	7,619	2,000
Land management	131,842	114,033
Investment income	1,108,181	25,129
Restricted contributions	193,365	738,108
Other	6,834	125,575
	<u>7,519,832</u>	<u>6,854,135</u>
EXPENSES		
Project expenses (schedule 1)	5,114,446	5,811,357
Administration (note 7)	900,865	935,329
	<u>6,015,311</u>	<u>6,746,686</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	1,504,521	107,449
FUND BALANCES, BEGINNING		
As previously reported	-	6,827,911
Prior Period Adjustment (note 11)	-	163,027
	<u>7,098,387</u>	<u>6,990,938</u>
As restated		
	<u>8,602,908</u>	<u>7,098,387</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, 2010

	2010	2009
	(\$)	(\$)
OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenses	1,504,521	107,449
Items not affecting cash:		
Amortization	38,427	30,996
	<u>1,542,948</u>	<u>138,445</u>
Changes in non-cash working capital:		
Accounts receivable	43,781	8,821,336
Prepaid expenses	(12,159)	(4,500)
Accounts payable	589,025	247,094
Leave liability	(1,549)	(1,335)
Deferred contributions - restricted general	(369,721)	(95,862)
Deferred contributions - court awards	106,656	(212,745)
	<u>356,033</u>	<u>8,753,988</u>
Cash from operating activities	<u>1,898,981</u>	<u>8,892,433</u>
INVESTING ACTIVITIES		
Reductions in publications inventory (net)	368	23,187
Additions to capital assets (net)	(44,975)	(78,974)
Cash used in investing activities	<u>(44,607)</u>	<u>(55,787)</u>
INCREASE IN CASH	1,854,374	8,836,646
CASH - Beginning of year	22,676,721	13,840,075
CASH - End of year	24,531,095	22,676,721
COMPRISED OF:		
Cash	9,994,121	10,700,532
Short term investments	14,536,974	11,976,189
	<u>24,531,095</u>	<u>22,676,721</u>

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, 2010
(\$)

	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	
Revenue								
Surcharge revenue	5,251,302	235,226	176,477	346,414	-	-	-	6,036,769
Sales of educational material and educational contributions	-	-	-	-	35,222	-	-	35,222
General donations	2,616	-	-	-	5,003	-	-	7,619
Land Management	131,842	-	-	-	-	-	-	131,842
Investment income / (loss)	28,901	-	-	-	-	911,989	163,072	1,108,181
Restricted contributions	180,644	-	-	-	-	-	-	193,365
Other	2,138	-	-	-	-	-	-	6,834
Total revenue	5,597,443	235,226	176,477	346,414	40,225	911,989	167,768	7,519,832
Expenses								
Project expenses								
Fisheries	1,800,949	-	40,000	327,103	-	-	-	2,188,974
Wildlife	1,238,501	147,530	-	-	-	235,823	-	1,889,453
Information / Education / Stewardship	500,952	-	-	-	238,991	-	98,941	852,815
Land Acquisition / Securement	97,000	-	-	-	-	-	-	136,698
Court Award Bad Debt Expense	46,506	-	-	-	-	-	-	46,506
Sub-total project expenses	3,683,908	147,530	40,000	327,103	238,991	235,823	98,941	5,114,446
Administration	861,793	7,198	279	-	-	21,325	8,361	900,865
Total expenses	4,545,701	154,728	40,279	327,103	238,991	257,148	107,302	6,015,311
Excess / (Deficiency) of revenues over expenses	1,051,742	80,498	136,198	19,311	(198,766)	654,841	60,466	1,504,521
Fund balances, beginning, as restated (note 11)	4,431,646	260,736	77,272	323,459	195,386	630,995	(60,996)	7,098,387
Interfund transfers	(264,700)	-	-	-	155,000	9,700	100,000	-
Fund balances, ending *	5,218,688	341,234	213,470	342,770	151,620	1,295,536	99,470	8,602,908
Long-term restricted contributions	-	-	-	-	-	12,500,000	1,000,000	13,500,000
Fund balances including long-term restricted contributions	5,218,688	341,234	213,470	342,770	151,620	13,795,536	1,099,470	22,102,908

* 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, 2010

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, 2010

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 31st.

HABITAT CONSERVATION TRUST FOUNDATION

Notes to Financial Statements

March 31, 2010

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 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 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, 2010

3. Cash and Short Term Investments

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

	2010 (\$)	2009 (\$)
TD Waterhouse		
Cash	9,994,121	10,700,532
Equities	2,307,579	1,320,540
Fixed Income (including cash)	2,986,395	1,655,649
Sub-total	15,288,095	13,676,721
Van City Credit Union GICs	9,243,000	9,000,000
Total Cash and Short Term Investments	24,531,095	22,676,721

4. Capital Assets

	Cost (\$)	Accumulated Amortization (\$)	Net Book Value 2010 (\$)	Net Book Value 2009 (\$)
Office Furniture and Equipment	52,585	15,991	36,593	13,347
Computer Hardware	47,621	23,811	23,810	39,684
Computer Software	61,149	40,514	20,635	20,722
Leasehold Improvements	30,633	24,610	6,023	6,761
	191,988	104,926	87,062	80,514

HABITAT CONSERVATION TRUST FOUNDATION

Notes to Financial Statements

March 31, 2010

5. Deferred Contributions

Deferred contributions relating to projects are as follows:

	2010 (\$)	2009 (\$)
Balance – Beginning of year	14,934,896	15,243,503
Summary of deferred contributions during the year		
Set up as deferred	287,300	429,500
Returned	(357,000)	-
Recognized as revenue	(193,365)	(738,107)
Balance – end of year	14,671,831	14,934,896

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 \$978,144 (2009 - \$871,487), and other external agency contributions \$193,687 (2009 - \$563,409).

During the 2009/10 fiscal year, an earlier year restricted contribution was returned to the original donor as the proposed intent of the donation was altered such that it became inconsistent with HCTF's mandate.

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. HCTF relies on the government to provide reporting on surcharge sales and to forward this revenue on a set schedule.
- 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.

HABITAT CONSERVATION TRUST FOUNDATION

Notes to Financial Statements

March 31, 2010

- 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

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:

	2010 (\$)	2009 (\$)
Amortization	38,418	30,996
Audit (Financial)	20,321	12,783
Board Compensation	22,588	21,700
Communications	14,938	19,130
Insurance	15,390	19,266
Investment / Banking Fees	27,584	19,906
Legal Services	594	9,130
Office and Miscellaneous	98,333	107,583
Office Space – Rent	52,173	55,131
Professional Services	110,530	71,219
Salaries and Benefits	429,198	433,114
Training	2,928	2,499
Travel	67,870	63,485
Sub-total HCTF Administration Expenses	900,865	865,942
Costs of transition to Society	-	69,387
	900,865	935,329

HABITAT CONSERVATION TRUST FOUNDATION

Notes to Financial Statements

March 31, 2010

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 and GICs invested with TD Waterhouse and Van City Credit Union. 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. 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, 2010

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 82% of HCTF's total revenue during the 2009/10 fiscal year (2008/09 – 87%).

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
	(\$)	(\$)	(\$)	(\$)
2011	2,095,797	173,114	73,000	2,341,911
2012	-	-	76,000	76,000
2013	-	-	76,000	76,000
2014	-	-	76,000	76,000
2015	-	-	76,000	76,000
	2,095,797	173,114	377,000	2,645,911

11. Prior Period Adjustment

A prior period adjustment was made to recognize \$163,027 of land management revenue earned in fiscal period 2007/08, resulting in accounts receivable at March 31, 2009 increasing from \$597,937 to \$760,964, and fund balances at March 31, 2009 increasing from \$6,935,360 to \$7,098,387. This adjustment arose through the provincial government's recognition of additional funds being derived from land administered for the benefit of fish and wildlife.