

**Habitat Conservation Trust Foundation**  
**Financial Statements**  
**March 31, 2011**



# 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, 2011 and results of its operations for the year ended March 31, 2011.

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  
Chief Executive Officer, HCTF



Aaron Bremner  
Chief Financial Officer, HCTF

Victoria, British Columbia  
September 17, 2011

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

## INDEPENDENT AUDITOR'S REPORT

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

I have audited the accompanying financial statements of the Habitat Conservation Trust Foundation, which comprise the Statement of Financial Position as at March 31, 2011, and the Statements of Operations, Fund Balances and Cash Flows of 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 controls as management determines are 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. My audit was conducted 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 regarding 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 risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls 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 controls. An audit also includes assessing the accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall financial statement presentation.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit 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 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.

### *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, 2011, and the Statements of Operations, Fund Balances and Cash Flows of the Habitat Conservation Trust Foundation for the year ended March 31, 2011 in accordance with Canadian accounting standards for not-for-profit organizations.



Alex G. Mackie  
CHARTERED ACCOUNTANT

Victoria, British Columbia  
September 17, 2011

**HABITAT CONSERVATION TRUST FOUNDATION**  
**Statement of Financial Position**  
**March 31, 2011**

	2011	2010 (note 11)
	(\$)	(\$)
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash and short term investments (note 3)	25,493,010	24,531,095
Accounts receivable	528,265	642,190
Prepaid expenses	9,903	17,159
	<u>26,031,178</u>	<u>25,190,444</u>
<b>OTHER ASSETS</b>		
Inventory - educational publications	188,863	165,414
Capital assets (note 4)	50,257	87,062
	<u>26,270,298</u>	<u>25,442,920</u>
<b>LIABILITIES AND FUND BALANCES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	1,840,007	2,157,596
Leave liability	47,666	10,585
	<u>1,887,673</u>	<u>2,168,181</u>
<b>DEFERRED CONTRIBUTIONS (note 5)</b>		
Long-term restricted	13,500,000	13,500,000
Other restricted	1,072,654	1,171,831
	<u>14,572,654</u>	<u>14,671,831</u>
	16,460,327	16,840,012
<b>FUND BALANCES ENDING (schedule 1)</b>	<u>9,809,971</u>	<u>8,602,908</u>
	<u>26,270,298</u>	<u>25,442,920</u>
<b>Commitments (note 10)</b>	-	-

On behalf of the Board

W. B. Iersley Chair

Steve O'Hara 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, 2011**

	<b>2011</b>	<b>2010</b>
		(note 11)
	(\$)	(\$)
<b>REVENUE (note 6)</b>		
Surcharge revenue	6,033,141	6,036,769
Sales of educational material and educational contributions	84,414	35,222
General donations	2,943	7,619
Land management	150,736	131,842
Investment income	605,662	1,108,181
Restricted contributions	223,427	193,365
Special Permits Auction	113,550	-
Other	228	6,834
	<u>7,214,101</u>	<u>7,519,832</u>
<b>EXPENSES</b>		
Project expenses (schedule 1)	5,069,230	5,114,446
Administration (note 7)	937,808	900,865
	<u>6,007,038</u>	<u>6,015,311</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES</b>	<b>1,207,063</b>	<b>1,504,521</b>
<b>FUND BALANCES, BEGINNING</b>	<u><b>8,602,908</b></u>	<u><b>7,098,387</b></u>
<b>FUND BALANCES, ENDING</b>	<u><b>9,809,971</b></u>	<u><b>8,602,908</b></u>

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, 2011**

	2011	2010 (note 11)
	(\$)	(\$)
<b>OPERATING ACTIVITIES</b>		
Excess (deficiency) of revenue over expenses	1,207,063	1,504,521
Items not affecting cash:		
Amortization	36,805	38,427
	<u>1,243,868</u>	<u>1,542,948</u>
Changes in non-cash working capital:		
Accounts receivable	113,925	43,781
Prepaid expenses	7,256	(12,159)
Accounts payable	(317,589)	589,025
Leave liability	37,081	(1,549)
Deferred contributions - restricted general	20,000	(369,721)
Deferred contributions - court awards	(119,177)	106,656
	<u>(258,504)</u>	<u>356,033</u>
Cash from operating activities	<u>985,364</u>	<u>1,898,981</u>
<b>INVESTING ACTIVITIES</b>		
(Increase in) / Reductions in publications inventory (net)	(23,449)	368
Additions to capital assets (net)	-	(44,975)
Cash used in investing activities	<u>(23,449)</u>	<u>(44,607)</u>
<b>INCREASE IN CASH</b>	<b>961,915</b>	<b>1,854,374</b>
<b>CASH - Beginning of year</b>	<b>24,531,095</b>	<b>22,676,721</b>
<b>CASH - End of year</b>	<b>25,493,010</b>	<b>24,531,095</b>
<b>COMPRISED OF:</b>		
Cash	10,696,571	9,994,121
Short term investments	14,796,439	14,536,974
	<u>25,493,010</u>	<u>24,531,095</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, 2011**  
**(\$)**

	Surcharge Account						External Agency Account	Special Programs Account	Total
	Operating Fund	Grizzly Bear Conservation Strategy	Surgeon Fund	Quality Waters (River Guardian)	Wild BC	Conservation Land Operations Account	Public Conservation Assistance Fund		
<b>Revenue</b>									
Surcharge revenue	5,292,452	228,542	180,996	330,961	-	-	-	190	6,033,141
Sales of educational material and educational contributions	-	-	-	-	84,414	-	-	-	84,414
General donations	2,943	-	-	-	-	-	-	-	2,943
Land Management	150,736	-	-	-	-	-	-	-	150,736
Investment income	81,330	-	-	-	-	442,958	74,402	6,972	605,662
Restricted contributions	223,427	-	-	-	-	-	-	-	223,427
Special Permits Auction	-	-	-	-	-	-	-	113,550	113,550
Other	228	-	-	-	-	-	-	-	228
<b>Total revenue</b>	<b>5,751,116</b>	<b>228,542</b>	<b>180,996</b>	<b>330,961</b>	<b>84,414</b>	<b>442,958</b>	<b>74,402</b>	<b>120,712</b>	<b>7,214,101</b>
<b>Expenses</b>									
Project expenses									
Fisheries	1,436,850	-	123,148	240,202	-	-	-	21,721	1,821,921
Wildlife	1,367,976	433,199	-	-	-	265,101	-	225,245	2,291,521
Information / Education / Stewardship	534,230	-	-	-	251,785	-	136,113	8,885	931,013
Land Acquisition / Securement	-	-	-	-	-	-	-	-	-
Court Award Bad Debt Expense	24,775	-	-	-	-	-	-	-	24,775
Sub-total project expenses	3,363,831	433,199	123,148	240,202	251,785	265,101	136,113	255,851	5,069,230
Administration	885,671	4,431	424	3,459	-	26,638	15,547	1,638	937,808
<b>Total expenses</b>	<b>4,249,502</b>	<b>437,630</b>	<b>123,572</b>	<b>243,661</b>	<b>251,785</b>	<b>291,739</b>	<b>151,660</b>	<b>257,489</b>	<b>6,007,038</b>
Excess / (Deficiency) of revenues over expenses	1,501,614	(209,088)	57,424	87,300	(167,371)	151,219	(77,258)	(136,777)	1,207,063
Fund balances, beginning, as restated (note 11)	5,218,688	341,234	213,470	342,770	151,620	1,295,536	99,470	49,498	8,602,908
Interfund transfers	(255,000)	-	-	-	155,000	-	100,000	-	-
Fund balances, ending *	6,465,302	132,146	270,894	430,070	139,249	1,446,755	122,212	753,845	9,809,971
Long-term restricted contributions	-	-	-	-	-	12,500,000	1,000,000	-	13,500,000
Fund balances including long-term restricted contributions	6,465,302	132,146	270,894	430,070	139,249	13,946,755	1,122,212	753,845	23,309,971

\* 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, 2011

### 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 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, 2011

### 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, 2011

### 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 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.

# HABITAT CONSERVATION TRUST FOUNDATION

## Notes to Financial Statements

March 31, 2011

### 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.

	2011 (\$)	2010 (\$)
TD Waterhouse		
Cash	10,696,571	9,994,121
Equities	2,771,564	2,307,579
Fixed Income (including cash)	2,678,713	2,986,395
Sub-total	16,146,848	15,288,095
Van City Credit Union GICs	9,346,162	9,243,000
Total Cash and Short Term Investments	25,493,010	24,531,095

### 4. Capital Assets

	Cost (\$)	Accumulated Amortization (\$)	Net Book Value 2011 (\$)	Net Book Value 2010 (\$)
Office Furniture and Equipment	52,585	24,926	27,659	36,593
Computer Hardware	47,621	39,684	7,937	23,810
Computer Software	61,149	50,696	10,453	20,635
Leasehold Improvements	6,048	1,840	4,208	6,023
	167,403	117,146	50,257	87,062

# HABITAT CONSERVATION TRUST FOUNDATION

## Notes to Financial Statements

March 31, 2011

### 5. Deferred Contributions

Deferred contributions relating to projects are as follows:

	2011 (\$)	2010 (\$)
Balance – Beginning of year	14,671,831	14,934,896
Summary of deferred contributions during the year		
Set up as deferred	124,250	287,300
Returned	-	(357,000)
Recognized as revenue	(223,427)	(193,365)
Balance – end of year	14,572,654	14,671,831

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 \$858,967 (2010 - \$978,144), and other external agency contributions \$213,687 (2010 - \$193,687).

### 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.
- 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, 2011

- 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:

	2011 (\$)	2010 (\$)
Amortization	35,183	38,418
Audit (Financial)	13,958	20,321
Board Compensation	22,100	22,588
Communications	23,027	14,938
Insurance	19,609	15,390
Investment / Banking Fees	33,462	27,584
Legal Services	2,328	594
Office and Miscellaneous	82,048	98,333
Office Space – Rent	78,543	52,173
Repairs and Maintenance	6,563	-
Professional Services	120,439	110,530
Salaries and Benefits	443,523	429,198
Training	1,133	2,928
Travel	55,892	67,870
Total HCTF Administration Expenses	937,808	900,865

# HABITAT CONSERVATION TRUST FOUNDATION

## Notes to Financial Statements

March 31, 2011

### 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 GICs 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, 2011

### 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 86% of HCTF's total revenue during the 2010/11 fiscal year (2009/10 – 82%).

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
	(\$)	(\$)	(\$)	(\$)
2012	3,498,372	65,947	76,000	3,640,319
2013	-	-	76,000	76,000
2014	-	-	76,000	76,000
2015	-	-	76,000	76,000
2016	-	-	82,000	82,000
	3,498,372	65,947	386,000	3,950,319

### 11. Comparative Figures

Certain figures for the fiscal year ended March 31, 2010 have been adjusted to reflect the presentation of the current year financial statements.