



Environmental Foundation of Jamaica
(A foundation limited by guarantee)

Financial Statements
31 July 2012

Environmental Foundation of Jamaica

(A foundation limited by guarantee)

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Independent Auditors' Report

To the Members of
Environmental Foundation of Jamaica

Report on the Financial Statements

We have audited the accompanying financial statements of Environmental Foundation of Jamaica, set out on pages 1 to 31, which comprise the statement of financial position as at 31 July 2012 and the statements of changes in the Americas' Funds, and cash flows 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 of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and with the requirements of the Jamaican Companies Act, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we 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 of financial statements that give a true and fair view 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

PricewaterhouseCoopers, Scotiabank Centre, Duke Street, Box 372, Kingston, Jamaica
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Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Environmental Foundation of Jamaica as at 31 July 2012, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Jamaican Companies Act.

Report on Other Legal and Regulatory Requirements

As required by the Jamaican Companies Act, we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

In our opinion, proper accounting records have been kept, so far as appears from our examination of those records, and the accompanying financial statements are in agreement therewith and give the information required by the Jamaican Companies Act, in the manner so required.

PricewaterhouseCoopers
Chartered Accountants
22 October 2012
Kingston, Jamaica

Environmental Foundation of Jamaica

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Statement of Changes in the Americas' Funds

Year ended 31 July 2012

(expressed in Jamaican dollars unless otherwise indicated)

	Note	Fund I \$'000	Fund II \$'000	2012 \$'000	2011 \$'000
USAID debt funds received					
For the year (US\$75,717)		-	6,588	6,588	11,704
Investment income earned		2,866	2,392	5,258	29,836
Foreign exchange losses		1	-	1	(234)
		<u>2,867</u>	<u>8,980</u>	<u>11,847</u>	<u>41,306</u>
Unrealised gains/(losses) on available-for-sale investments	11	<u>(3,177)</u>	<u>(1,072)</u>	<u>(4,249)</u>	<u>6,179</u>
		<u>(310)</u>	<u>7,908</u>	<u>7,598</u>	<u>47,485</u>
Less:					
Project grants disbursed	5	(56,243)	(13,809)	(70,052)	(151,861)
Transfers to administration	6	(23,759)	(6,752)	(30,511)	(38,231)
Investment advisers' fees	9	(660)	(238)	(898)	(2,196)
		<u>(80,662)</u>	<u>(20,799)</u>	<u>(101,461)</u>	<u>(192,288)</u>
Deficit for year		<u>(80,972)</u>	<u>(12,891)</u>	<u>(93,863)</u>	<u>(144,803)</u>
Fund balance at beginning of Year		<u>140,524</u>	<u>126,911</u>	<u>267,435</u>	<u>412,238</u>
Fund balance at end of year		<u><u>59,552</u></u>	<u><u>114,020</u></u>	<u><u>173,572</u></u>	<u><u>267,435</u></u>

Environmental Foundation of Jamaica

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Statement of Financial Position

31 July 2012

(expressed in Jamaican dollars unless otherwise indicated)

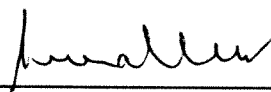
	Note	2012 \$'000	2011 \$'000
Non-Current Assets			
Property, plant and equipment	10	15,455	18,699
Beneficial interest in endowment fund	12	85,000	-
Available-for-sale investments	11	35,810	179,273
		<u>136,265</u>	<u>197,972</u>
Current Assets			
Other assets	13	10,784	12,943
Short term investments	11	22,427	24,285
Cash and bank	14	35,574	46,481
		<u>68,785</u>	<u>83,709</u>
Current Liabilities			
Accounts payable and accrued charges	15	28,208	4,759
Managed funds	16	12,241	7,026
		<u>40,449</u>	<u>11,785</u>
Net Current Assets			
		<u>28,336</u>	<u>71,924</u>
		<u>164,601</u>	<u>269,896</u>
Equity			
Administration fund-expenses recoverable	6	(24,426)	(16,238)
Capital reserves	17	15,455	18,699
Americas' funds		173,572	267,435
		<u>164,601</u>	<u>269,896</u>

Approved on behalf of the Board of Directors on 22 October 2012 and signed on its behalf by:



Dale Webber

Director



Albert Walker

Director

Environmental Foundation of Jamaica

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Statement of Cash Flows

Year ended 31 July 2012

(expressed in Jamaican dollars unless otherwise indicated)

	2012 \$'000	2011 \$'000
Cash Flows from Operating Activities		
Deficit for the year	(93,863)	(144,803)
Adjustments for:		
Decrease/(increase) in amount due to Administration Fund	(8,188)	5,960
Fair value adjustments on available-for-sale investments	-	(4,249)
Interest income	(5,258)	(27,878)
	<u>(107,309)</u>	<u>(170,970)</u>
Changes in operating assets and liabilities:		
Other assets	2,159	(2,617)
Accounts payable and accrued charges	23,449	1,486
Managed funds	5,215	1,740
Cash used in operating activities	<u>(76,486)</u>	<u>(170,361)</u>
Cash Flow From Investing Activities		
Available-for-sale investments	138,814	201,251
Investment- Endowment Fund	(85,000)	-
Interest received	9,907	34,094
Cash provided by investing activities	<u>63,721</u>	<u>235,345</u>
Increase/(decrease) in cash and cash equivalents	(12,765)	64,984
Cash and cash equivalent at beginning of year	70,766	5,782
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>58,001</u></u>	<u><u>70,766</u></u>
Represented by:		
Cash and bank	35,574	46,481
Short term investments	22,427	24,285
	<u><u>58,001</u></u>	<u><u>70,766</u></u>

Environmental Foundation of Jamaica

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Notes to the Financial Statements

31 July 2012

(expressed in Jamaican dollars unless otherwise indicated)

1. Identification and Activities

Environmental Foundation of Jamaica (the Foundation) is limited by guarantee and was incorporated in Jamaica on 18 November 1992. The Foundation was established pursuant to an agreement between the Government of the United States of America and the Government of Jamaica concerning the establishment of an Enterprise for the Americas Environmental Foundation. This agreement referred to as "The Enterprise for the Americas Initiative Framework Agreement" (EAI Agreement) was signed on 26 November 1991 and amended effective 27 August 1993. The agreement provides for the creation of a special Americas Fund to be administered by the Foundation in accordance with agreement terms and the Foundation's memorandum and articles of association.

The main objectives of the Foundation which are in conjunction with the EAI Agreement are as follows:

- (i) to promote and implement activities designed to conserve and manage the natural resources and environment of Jamaica in the interest of sustainable development and;
- (ii) to encourage the improvement of child survival and child development in Jamaica .

The Foundation pursues its objectives mainly through the granting of funds to organisations, for qualified projects based on established criteria, by carrying out specific educational activities and rendering technical assistance towards its objectives. Operations commenced in August 1993.

2. Summary of Significant Accounting Policies

(a) Basis of preparation

The financial statements have been prepared in accordance with and comply with International Financial Reporting Standards (IFRS) and have been prepared under the historical cost convention as modified by the revaluation of available-for-sale investment securities.

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results could differ from these estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant for the financial statements are disclosed in Note 4.

Interpretations and amendments to published accounting standards effective in the current financial year

Certain new and amended standards and interpretations to existing standards became effective during the current financial year, which have impacted the foundation's accounting policies and/or financial disclosures as follows.

- **IAS 1, 'Presentation of financial statements' (effective for annual periods beginning on or after 1 January 2011).** Retrospective application is required. The amendment clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. The foundation applied this amendment from 1 April 2011. There was no significant impact on the foundation.

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2. Summary of Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Interpretations and amendments to published accounting standards effective in the current financial year (continued)

- IAS 24, Related Party Disclosures (Revised) (effective for annual periods beginning on or after 1 January 2011).** The definition of a related party has been clarified to simplify the identification of related party relationships, particularly in relation to significant influence and joint control. A partial exemption from the disclosures has been included for government-related entities. For these entities, the general disclosure requirements of IAS 24 will not apply. Instead, alternative disclosures have been included, requiring, the name of the government and the nature of its relationship with the reporting entity, the nature and amount of individually significant transactions in the year; a qualitative or quantitative indication of the extent of other transactions that are collectively significant. The adoption of this standard did not have a significant impact on the foundation related party disclosures.
- IFRS 7, 'Financial instruments' (effective for annual periods beginning on or after 1 January 2011). Retrospective application required.** Emphasises the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with financial instruments. It clarifies that only those financial assets whose carrying amount does not reflect the maximum exposure to credit risk need to provide further disclosure of the amount that represents the maximum exposure to such risk. It also requires, for all financial assets, disclosure of the financial effect of collateral held as security and other credit enhancements regarding the amount that best represents the maximum exposure to credit risk (e.g., a description of the extent to which collateral mitigates credit risk). It removes the disclosure requirement of the collateral held as security, other credit enhancements and an estimate of their fair value for financial assets that are past due but not impaired, and financial assets that are individually determined to be impaired. Further clarification is provided that the additional disclosure required for financial assets obtained by taking possession of collateral or other credit enhancements are only applicable to assets still held at the reporting date. The requirement to specifically disclose financial assets renegotiated to avoid becoming past due or impaired has been removed.

Standards, interpretations and amendments to published standards that are not yet effective

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been issued which were not effective at the year end date, and which the Foundation has not early adopted. The Foundation has assessed the relevance of all such new standards, interpretations and amendments, and has determined that the following may be relevant to its operations, and has concluded as follows:

- IFRS 9, 'Financial instruments' (effective for accounting periods beginning on or after 1 January 2013).** IFRS 9 addresses classification and measurement of financial assets and is available for early adoption immediately. IFRS 9 replaces the multiple classification and measurement models in IAS 39 'Financial Instruments: Recognition and Measurement' with a single model that has only two classification categories: amortised cost and fair value. IFRS 9 represents the first milestone in the IASB's planned replacement of IAS 39. Management is currently assessing the timing and impact of the adoption of this standard by the Foundation.

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2. Summary of Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Standards, interpretations and amendments to published standards that are not yet effective (continued)

- **IFRS 13 'Fair Value Measurement' (effective for annual periods beginning on or after 1 January 2013).** IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards, for both financial instruments and non-financial instruments. IFRS 13 explains how to measure fair value and aims to enhance fair value disclosures; it does not say when to measure fair value or require additional fair value measurements. In general, the disclosure requirements of IFRS 13 are more extensive than those required in current standards. The foundation anticipates that application will impact amounts reported in the financial statements, as well result in extended disclosures. Management is assessing the impact of adoption on the foundation.

(b) Grant funds

Grant funds received by the Foundation under the Enterprise of the Americas Initiative Framework Agreement are recorded when received and credited directly to the Americas' Funds Account until disbursed.

(c) Income recognition

- (i) Interest income is recognised in the Americas' Funds for all interest bearing instruments on an accrual basis using the effective yield method based on actual purchase price. Interest income includes income earned on cash and cash equivalent accounts held.
- (ii) Dividend income is recognised when the right to receive payment is established.

(d) Foreign currency translations

Functional and presentation currency

Items included in the financial statements of the Foundation are measured using the currency of the primary economic environment in which the Foundation operates. The financial statements are presented in Jamaican dollars, which is the Foundation's functional and presentation currency.

Translation and balances

Foreign currency transactions are accounted for at the exchange rates prevailing at the dates of the transactions. At the year end date monetary assets denominated in foreign currency are translated using the closing exchange rate. Exchange differences arising from the settlement of transactions at rates different from those at the dates of the transactions and unrealised foreign exchange difference on unsettled foreign currency monetary assets are recognised in the Americas' Funds.

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2. Summary of Significant Accounting Policies (Continued)

(e) Employee benefits

(i) Pension scheme

The Foundation participates in a defined contribution scheme, which is administered by trustees. The Foundation's contribution is fixed, once the contributions have been paid, the Foundation has no further payment obligations. The contributions constitute the net periodic cost for the year in which they are due and are included in staff costs.

(ii) Other employee benefits

Employees' entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the year end date.

(f) Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on the straight-line basis at annual rates that will write off the carrying value of each asset over the period of its remaining useful life. Annual depreciation rates are as follows:

Building	2.5% - 12.5%
Motor vehicles	20%
Computers	25%
Furniture and fixtures	10%

Freehold land is not depreciated.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Repairs and maintenance are charged as administrative expenses during the financial period in which they are incurred. Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining administrative fund balance.

(g) Financial instruments

A financial instrument is any contract that gives rise to both a financial asset in one entity and a financial liability or equity of another entity.

Financial assets

The Foundation classifies its financial assets in the following categories: loans and receivables and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the year end date.

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2. Summary of Significant Accounting Policies (Continued)

(g) Financial instruments (continued)

Available-for-sale financial assets

Available for sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date. At the year end date, the following financial assets were classified as available for sale: investments, other assets, short term investments and cash and bank.

Financial liabilities

The Foundation's financial liabilities are initially measured at cost, and are subsequently measured at amortised cost using the effective interest method. At the year end date, the following items were classified as financial liabilities: bank overdraft, accounts payable and accrued charges and managed funds.

(h) Cash and cash equivalents

Cash and cash equivalents are carried at the year end at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash and bank balances, deposits held at call with banks, other short-term highly liquid investments with maturity dates of less than 90 days, net of bank overdrafts.

(i) Accounts payable

Accounts payable are stated at historical cost.

(j) Administration fund/deferred income

Where funds received for administration expenses are insufficient to cover these expenses, the over expended balance, referred to as Administration Fund - expenses recoverable, is recoverable from the Americas' Funds. While funds received for administration expenses, which are unexpended, are referred to as Administration Fund - deferred income.

(k) Capital reserves

The cost of property, plant and equipment acquired from grant funds, for administrative purposes, is credited directly to capital reserves and is written off to the administration fund account over the useful lives of the relevant assets.

(l) Americas' funds

As outlined in Note 1, the EAI Agreement provides for the establishment of a special Americas' Fund to be administered by the Foundation in pursuit of its objectives. Under this arrangement, specific amounts due by the Government of Jamaica to the Government of the United States of America are paid into the fund in accordance with provisions of two debt reduction agreements (Agreement I and Agreement II). Agreement I relate to funds owed under the U.S. PL480 programme and Agreement II relates to funds owed under a specific USAID debt Agreement.

In accordance with the EAI Agreement, all funds deposited into the Fund, including investment income earned belongs to the Government of Jamaica until disbursed in accordance with stipulated guidelines.

The two funds should not be co-mingled.

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2. Summary of Significant Accounting Policies (Continued)

(m) Impairment of non-current assets

Property, plant and equipment and other non-current assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset's net selling price and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

(n) Provisions

Provisions are recognised when the Foundation has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

3. Financial Risk Management

The Foundation's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Foundation's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Foundation's financial performance.

The Foundation's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Foundation regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

The Board of Directors is ultimately responsible for the establishment and oversight of the Foundation's risk management framework. The Board provides principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, and investment of excess liquidity.

(a) Credit risk

The Foundation takes on exposure to credit risk, which is the risk that a party will cause a financial loss for the Foundation by failing to discharge its contractual obligations. Credit risk is a very important risk for the Foundation's business; management therefore carefully manages its exposure to credit risk. Credit exposures arise principally from the Foundation's cash and investment activities. The Foundation structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to a single counterparty or groups of related counterparties.

Credit review process

Management performs ongoing analyses of the ability of borrowers and other counterparties to meet repayment obligations.

(i) Investments

The Foundation limits its exposure to credit risk by investing mainly in liquid securities, with counterparties that have high credit quality and Government of Jamaica securities. Accordingly, management does not expect any counterparty to fail to meet its obligations.

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3. Financial Risk Management (Continued)

(a) Credit risk (continued)

Credit review process (continued)

(ii) Cash

Cash transactions are limited to high credit quality financial institutions. The Foundation has policies that limit the amount of credit exposure to any financial institution.

Maximum exposure to credit risk

The Foundation's maximum exposure to credit risk at year end was as follows:

	2012	2011
	\$'000	\$'000
Investment securities	44,248	166,241
Cash and bank	35,574	46,481
Other assets	1,288	4,355
	<u>81,110</u>	<u>217,077</u>

Exposure to credit risk for investment securities

The following table summarises the Foundation's credit exposure for investment securities at their carrying amounts, as categorised by issuer:

	2012	2011
	\$'000	\$'000
Government of Jamaica Securities	21,821	141,956
Corporate	22,427	24,285
	<u>44,248</u>	<u>166,241</u>

(b) Liquidity risk

Liquidity risk is the risk that the Foundation maybe unable to meet its payment obligations associated with its financial liabilities when they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, and the ability to close out market positions.

Liquidity risk management process

The Foundation's liquidity management process includes:

- (i) Maintaining a portfolio of highly marketable and diverse assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
- (ii) Optimising cash returns on investment; and

The maturities of assets and liabilities are important factors in assessing the liquidity of the Foundation and its exposure to changes in interest rates and exchange rates.

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3. Financial Risk Management (Continued)

(b) Liquidity risk (continued)

Undiscounted cash flows of financial liabilities

The maturity profile of the Foundation's financial liabilities at year end based on contractual undiscounted payments was as follows:

	Within 1 Month \$'000	1 to 3 Months \$'000	3 to 12 Months \$'000	Total \$'000
2012				
Accounts payable and accrued charges	26,674	-	1,534	28,208
Managed funds	46	12,195	-	12,241
	26,720	12,195	1,534	40,449
2011				
Accounts payable and accrued charges	606	1,050	3,103	4,759
Managed funds	45	1,405	5,576	7,026
	651	2,455	8,679	11,785

Assets available to meet all of the liabilities and to cover financial liabilities include cash and short term investments.

(c) Market risk

The Foundation takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks mainly arise from changes in foreign currency exchange rates and interest rates. Market risk exposures are measured using sensitivity analysis. There has been no change to the Foundation's exposure to market risks or the manner in which it manages and measures the risk.

Currency risk

Currency risk is the risk that the fair value of future cash flows of financial instruments will fluctuate because of changes in foreign exchange rates. The Foundation is exposed to foreign exchange risk arising from currency exposures, primarily with respect to the US dollar. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.

The Foundation manages its foreign exchange risk by ensuring that the net exposure in foreign assets and liabilities is kept to an acceptable level by monitoring currency positions. The Foundation further manages this risk by discussing with Fund Managers the projected exchange rates and divert into Jamaican dollar investments where adverse exchange rate movements are expected.

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3. Financial Risk Management (Continued)

(c) Market risk (continued)

Currency risk (continued)

Concentrations of currency risk:

The table below summarises the Foundation's exposure to foreign currency exchange rate risk at 31 July.

	2012		
	Jamaican \$ J\$'000	US\$ J\$'000	Total J\$'000
Financial Assets			
Available-for-sale investments	35,810	-	35,810
Short term investments	22,427	-	22,427
Cash and bank	33,557	2,017	35,574
Other assets	1,288	-	1,288
Total financial assets	93,082	2,017	95,099
Financial Liabilities			
Accounts payable and accrued charges	28,208	-	28,208
Managed funds	12,241	-	12,241
Total financial liabilities	40,449	-	40,449
Net financial position	52,633	2,017	54,650
	2011		
	Jamaican \$ J\$'000	US\$ J\$'000	Total J\$'000
Financial Assets			
Available-for-sale investments	179,273	-	179,273
Short term investments	24,285	-	24,285
Cash and bank	40,642	5,839	46,481
Other assets	4,355	-	4,355
Total financial assets	248,555	5,839	254,394
Financial Liabilities			
Accounts payable and accrued charges	4,759	-	4,759
Managed funds	7,026	-	7,026
Total financial liabilities	11,785	-	11,785
Net financial position	236,770	5,839	242,609

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Notes to the Financial Statements

31 July 2012

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(c) Market risk (Continued)

Currency risk (continued)

Foreign currency sensitivity

The following tables indicate the effect on surplus or deficit arising from changes in foreign currency rates, primarily with respect to the US dollar. The sensitivity analysis represents outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 1% (2011 – 1%) depreciation and a 1% (2011 – 0.5%) appreciation of the Jamaican dollar against the US dollar, which represents management's assessment of a reasonably possible change in foreign exchange rates. The sensitivity was primarily as a result of foreign exchange gains and losses on translation of US dollar-denominated investments. The correlation of variables will have a significant effect in determining the ultimate impact on market risk, but to demonstrate the impact due to changes in variable, variables had to be on an individual basis. It should be noted that movements in these variables are non-linear.

	% Change in Currency Rate 2012	Effect on the Americas' Funds 2012 \$'000	% Change in Currency Rate 2011	Effect on the Americas' Funds 2011 \$'000
Currency:				
USD	+1%	202	+0.5%	292
USD	-1%	(202)	-1%	(584)

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(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(c) Market risk (Continued)

Interest rate risk

Interest rate risk is the risk that the value or future cash flows of financial instruments will fluctuate because of changes in market interest rates. Floating rate instruments expose the company to cash flow interest risk, whereas fixed interest rate instruments expose the Foundation to fair value interest risk.

The following table summarises the Foundation's exposure to interest rate risk. It includes the Foundation's financial instruments at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

	Within 1 Month	1 to 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Non- Interest Bearing	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2012							
Assets							
Available-for-sale investments	11,599	10,222	-	-	-	13,989	35,810
Short term investments	22,427	-	-	-	-	-	22,427
Cash and bank	35,554	-	-	-	-	20	35,574
Other assets	-	-	-	-	-	1,288	1,288
Total financial assets	69,580	10,222	-	-	-	15,297	95,099
Liabilities							
Accounts payable and accrued charge	-	-	-	-	-	28,208	28,208
Managed funds	5,884	-	-	-	-	6,357	12,241
Total financial liabilities	5,884	-	-	-	-	34,565	40,449
Total interest repricing gap	63,696	10,222	-	-	-	(19,268)	54,650

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3. Financial Risk Management (Continued)

(c) Market risk (Continued)

Interest rate risk (continued)

	Within 1 Month	1 to 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Non- Interest Bearing	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2011							
Assets							
Available-for-sale investments	50,260	-	67,509	10,657	13,530	37,317	179,273
Short term investments	22,074	2,211	-	-	-	-	24,285
Cash and bank	46,461	-	-	-	-	20	46,481
Other assets	-	-	-	-	-	4,355	4,355
Total financial assets	118,795	2,211	67,509	10,657	13,530	41,692	254,394
Liabilities							
Accounts payable and accrued charge	-	-	-	-	-	4,759	4,759
Managed funds	-	-	5,576	-	-	1,450	7,026
Total financial liabilities	-	-	5,576	-	-	6,209	11,785
Total interest repricing gap	118,795	2,211	61,933	10,657	13,530	35,483	242,609

Interest rate sensitivity

The following table indicates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, on the Foundation's statement of changes in the Americas' Funds.

The sensitivity of the statement of changes in the Americas' Funds is the effect of the assumed changes in interest rates on net deficit based on non trading financial assets. The sensitivity of changes in the Americas' Funds is calculated by revaluing fixed rate available-for-sale financial assets for the effects of the assumed changes in interest rates. The correlation of variables will have a significant effect in determining the ultimate impact on market risk, but to demonstrate the impact due to changes in variable, variables had to be on an individual basis. It should be noted that movements in these variables are non-linear.

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3. Financial Risk Management (Continued)

(c) Market risk (Continued)

Interest rate risk (continued)

	Effect on the Americas' Funds 2012
	\$'000
Change in basis points:	
- 100	6
+ 100	(6)
	<hr/>
	Effect on the Americas' Funds
	2011
	\$'000
Change in basis points:	
- 100	1,583
+ 50	(553)
	<hr/>

(d) Capital management

The Foundation's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide benefits for stakeholders. There were no changes to the Foundation's approach to capital management during the year.

Based on the EAI Agreement, the Foundation is allowed to draw funds from the Americas Fund to cover administrative expenses. These expenses should not exceed 25% of grants disbursed (See Note 6).

(e) Fair values of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

The following table provides an analysis of financial instruments held as at the date of the statement of financial position that, subsequent to initial recognition, are measured at fair value. The financial instruments are grouped into levels 1 to 3 based on the degree to which the fair value is observable, as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical instruments;

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3. Financial Risk Management (Continued)

(e) Fair values of financial instruments (continued)

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the instrument, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the instrument that are not based on observable market data (unobservable inputs).

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
2012				
Investments classified as available-for-sale –				
Quoted equities	13,989	-	-	13,989
Government of Jamaica bonds	-	21,821	-	21,821
	<u>13,989</u>	<u>21,821</u>		<u>35,810</u>
2011				
Investments classified as available-for-sale –				
Quoted equities	37,317	-	-	37,317
Government of Jamaica bonds	-	141,956	-	141,956
	<u>37,317</u>	<u>141,956</u>		<u>179,273</u>

The fair value of financial instruments traded in active markets is based on quoted market prices at the date of the statement of financial position. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets is the current bid price. These instruments are grouped in Level 1.

The fair value of financial instruments not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

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4. Critical Accounting Judgement and Key Source of Uncertainty

The management of the Foundation makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Critical judgements in applying the Foundation's accounting policies

In the process of applying the Foundation's accounting policies, the management has not made any significant judgements that would cause a significant impact on the amounts recognised in the financial statements.

(b) Key sources of estimation uncertainty

In the process of applying the Foundation's accounting policies, the management has not made any significant estimate that would cause a significant impact on the amounts recognised in the financial statements.

5. Project Grants Disbursed

	Fund I	Fund II	Total
	\$'000	\$'000	\$'000
Projects' disbursement (net)	56,243	13,809	70,052
Disbursements allocated as follows			
Action Vibes Youth Clubs	395	-	395
Association of Development Agencies	200	-	200
Bellevue Farmers PMO	1,046	-	1,046
Best Care Foundation	-	136	136
Bluefields Bay Fishermen's Friendly Society	310	-	310
Bunkers Hill Community Development Committee	405	-	405
Capoeira Alafia	2,613	-	2,613
Caribbean Coastal Area Management Foundation	2,927	-	2,927
Caribbean Institute of Media and Communication	1,588	-	1,588
Christiana Potato Growers	2,511	-	2,511
Sub total carried forward	11,995	136	12,131

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5. Project Grants Disbursed (Continued)

	Fund I \$'000	Fund II \$'000	Total \$'000
Balance brought forward from (page 18)	11,995	136	12,131
Cockpit Country Local Forestry Management Committee	1,300	-	1,300
Council of Voluntary Social Services	-	700	700
Do Good Jamaica	-	200	200
Dudley Grant Memorial Trust	-	200	200
Family and Parenting Centre	-	1,152	1,152
Genesis Academy	-	970	970
Glengoffe Community Development Committee & Benevolent Society	107	-	107
Hear the Children's Cry	2,266	-	2,266
Hopewell Development Area Committee	-	200	200
Jamaica Association for the Deaf	-	1,200	1,200
Jamaica Association on Intellectual Disabilities	-	450	450
Jamaica Baptist Union	200	-	200
Jamaica Christian Boys Home	-	96	96
Jamaica Conservation and Development Trust	8,467	-	8,467
Jamaica Environment Trust	3,914	-	3,914
Jamaica Organic Agricultural Movement Limited	200	-	200
Jeffrey Town Farmers Association	2,282	-	2,282
Lions & Leo Club of Mona	439	-	439
Marine Geology Unit, UWI	1,817	-	1,817
McCam Child Care & Development Centre	-	200	200
Mona Informatix Limited	526	-	526
Mustard Seed Communities	1,580	-	1,580
National Environmental Education Committee	2,480	-	2,480
Negril Area Environmental Protection Trust	200	-	200
New Hope Foundation	-	200	200
Northern Caribbean University	-	200	200
Port Royal Marine Laboratory, UWI	2,323	-	2,323
Project Hope Foundation	-	200	200
Returns 4 Youth	-	200	200
Rise Life Management Services	1,799	-	1,799
Rowlandsfield Community Development Committee	100	-	100
Salvation Army School for the Blind	-	650	650
S-Corner Clinic & Community Development	-	200	200
Sub total carried forward	41,995	7,154	49,149

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5. Project Grants Disbursed (Continued)

	Fund I \$'000	Fund II \$'000	Total \$'000
Balance brought forward from (page 19)	41,995	7,154	49,149
Sir Arthur Lewis Institute of Social and Economic Studies	-	1,000	1,000
St. Ann Parish Development Committee	848	-	848
St. Mary Parish Development Committee	352	-	352
St. Patrick's Foundation	1,815	-	1,815
St. Elizabeth Agricultural Cooperative Society Limited	400	-	400
St. Mary Parish Development Committee	391	-	391
St. Thomas Environmental Protection Association	547	-	547
The Step Centre	-	3,500	3,500
Trinityville Area Development Committee	1,931	-	1,931
United Way of Jamaica	6,000	-	6,000
University of Technology, Jamaica	1,307	-	1,307
University of West Indies Open Campus	-	200	200
UWI Centre for Disability Studies	-	2,250	2,250
UWI Department of Physics	200	-	200
UWI Discovery Bay Marine Laboratory	200	-	200
Western St. Thomas Education Development Consortium	257	-	257
Women's Research Outreach Centre	-	187	187
Total disbursements	56,243	14,291	70,534
Refunds			
Environmental Health Foundation	-	388	388
Milk River Community Development	-	81	81
Church of St. Margaret	-	11	11
UWI – TMRI Epidemiology Research Unit	-	2	2
Total refunds	-	482	482
Net Disbursements	56,243	13,809	70,052

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6. Administration Fund

Amendments to Article VII (2) of the EAI Agreement, (see Note 1) empowers the Foundation's Board of Directors to draw from the Americas' Funds, sums necessary for its administrative expenses. The sums drawn should not exceed 25% of the grants disbursed unless specially agreed. Amounts are transferred to the Foundation's administration fund in accordance with this provision to meet administrative expenses. Administrative expenses had been previously allowed at a maximum of 15% of total inflows. The over expended balance is deferred expenses recoverable to the Foundation and is comprised as follows -

	2012	2011
	\$'000	\$'000
Grant funds transferred from Americas' Funds (Page 1)	30,511	38,231
Less: Cost of property, plant & equipment purchased, transferred to capital reserves (Note 10)	(313)	(199)
Add: Cost of property, plant & equipment disposed, released from capital reserves (Note 10)	-	2,390
	<u>30,198</u>	<u>40,422</u>
Other income	2,833	3,521
	<u>33,031</u>	<u>43,943</u>
Released from capital reserves (Note 10)	3,760	4,458
Released to capital reserves	-	(2,390)
Less: Administrative expenses for the year (Note 7)	<u>(44,979)</u>	<u>(40,051)</u>
	(8,188)	5,960
Balance at beginning of year	<u>(16,238)</u>	<u>(22,198)</u>
Expenses recoverable from America's Fund	<u>(24,426)</u>	<u>(16,238)</u>

Administrative expenses during the year exceeded (2011 – were within) the ceiling of 25% of grants disbursed as permitted and indicated below:

	2012	2011
	\$'000	\$'000
25% of net grants disbursed	17,513	37,965
Less: Administrative expenses for the year	<u>(44,979)</u>	<u>(40,051)</u>
(excess)/within ceiling	<u>(27,466)</u>	<u>(2,086)</u>

	2012	2012	2011	2011
	\$'000	% of Grants disbursed	\$'000	% of Grants disbursed
Administrative expenses	<u>44,979</u>	<u>64.21%</u>	<u>40,051</u>	<u>26.37%</u>

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7. Expenses by Nature

	2012	2011
	\$'000	\$'000
Advertising and public relations	204	558
Auditors' remuneration	1,000	1,050
Depreciation (Note 10)	3,760	4,458
Legal and professional fees	415	66
Local and foreign travelling expenses	195	136
Motor vehicle expenses	644	774
Office and general expenses	1,994	1,274
Printing and stationery	517	820
Repairs and maintenance	1,254	1,316
Staff costs (Note 8)	29,021	23,659
Security	1,956	1,971
Utilities	3,136	2,800
Other expenses	883	1,169
	<u>44,979</u>	<u>40,051</u>

8. Staff Costs

	2012	2011
	\$'000	\$'000
Wages and salaries	24,676	19,513
Payroll taxes – employer's portion	2,051	2,099
Pension costs	698	864
Other	1,596	1,183
	<u>29,021</u>	<u>23,659</u>

The number of person(s) employed by the Foundation at the year end was 1 (2011 - 12). The reduction is due to the redundancy exercise carried out by the foundation in the period.

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9. Investment Advisers' Fees

The EAI Agreement (Note 1) mandates the Foundation to appoint one or more Investment Advisers to manage its investments. Investment Advisers' fees for the year are comprised as follows -

	2012 \$'000	2011 \$'000
Barita Portfolio Management Limited	574	1,500
Scotia Jamaica Investment Management Limited	325	696
	<u>899</u>	<u>2,196</u>

10. Property, Plant and Equipment

	2012				
	Freehold Land and Building \$'000	Motor Vehicles \$'000	Computers \$'000	Furniture and Fixtures \$'000	Total \$'000
At Cost -					
At 1 August 2011	24,124	5,600	17,156	6,643	53,523
Additions	-	-	313	-	313
At 31 July 2012	<u>24,124</u>	<u>5,600</u>	<u>17,469</u>	<u>6,643</u>	<u>53,836</u>
Depreciation -					
At 1 August 2011	8,700	5,460	15,245	5,419	34,824
Reclassifications	299	-	(839)	337	(203)
Charge for the year	657	31	2,749	323	3,760
At 31 July 2012	<u>9,656</u>	<u>5,491</u>	<u>17,155</u>	<u>6,079</u>	<u>38,381</u>
Net Book Value -					
31 July 2012	<u>14,468</u>	<u>109</u>	<u>314</u>	<u>564</u>	<u>15,455</u>

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10. Property, Plant and Equipment (Continued)

	2011				Total \$'000
	Building \$'000	Motor Vehicles \$'000	Computers \$'000	Furniture and Fixtures \$'000	
At Cost -					
At 1 August 2009	24,124	7,834	17,156	6,600	55,714
Additions	-	156	-	43	199
Disposal	-	(2,390)	-	-	(2,390)
At 31 July 2011	24,124	5,600	17,156	6,643	53,523
Depreciation -					
At 1 August 2009	7,997	7,654	12,146	4,959	32,756
Charge for the year	703	196	3,099	460	4,458
Relieved on disposal	-	(2,390)	-	-	(2,390)
At 31 July 2011	8,700	5,460	15,245	5,419	34,824
Net Book Value -					
31 July 2011	15,424	140	1,911	1,224	18,699

11. Available-for-Sale Investments

	2012 \$'000	2011 \$'000
At beginning of year	203,558	404,017
Net disposals	(141,749)	(211,487)
Fair value adjustment	(4,249)	6,179
Accrued interest	677	4,849
At end of year (Note 12)	58,237	203,558
Current portion	(22,427)	(24,285)
	35,810	179,273

Available-for-sale investments include marketable equity securities, which are fair valued annually at the close of business on 31 July. All equity investments held are traded in active markets, and fair value is determined by reference to the Stock Exchange quoted bid prices.

Available-for-sale investments are classified as non-current assets, unless they are expected to be realised within twelve months of the year end date or unless they will need to be sold to raise operating capital.

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12. Investment Securities by Adviser

	Fund I \$'000	Fund II \$'000	Other \$'000	2012 \$'000	2011 \$'000
Beneficial interest in Endowment Fund	-	-	85,000	85,000	-
Available-for-sale investments -					
Barita Portfolio Management Limited					
Securities	475	10,889	-	11,364	67,102
Quoted equities	13,988	-	-	13,988	37,317
Scotia Jamaica Investment Management Limited	575	10,657	-	11,232	67,331
National Commercial Bank Limited	14,031	24	-	14,055	13,443
First Global Financial Services Limited (i)	-	6,921	-	6,921	8,762
	29,069	28,491	-	57,560	193,955
Accrued interest	588	89	-	677	5,354
Fair value adjustment	-	-	-	-	4,249
Total investments	29,657	28,580	85,000	143,237	203,558

Total investments comprised the following -

Beneficial interest in Endowment Fund	85,000	-
Available-for-sale investment (Note 11)	35,810	179,273
Short term investments (Note 11)	22,427	24,285
	143,237	203,558

- (i) Included in available-for-sale investment are monies being held at First Global Financial Services Limited for Northern Jamaica Conservation Association (Note 16).
- (ii) The Board, in recognition that the America's Fund is a reducing source which is established for a limited period of time, approved the establishment of an endowment fund on 23 September 2004 and has seeded the fund with \$85,000,000 in January 2012. The purpose of the fund is to ensure that the Foundation has a long-standing and sustained source of income.

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13. Other Assets

	2012 \$'000	2011 \$'000
Prepayments	213	53
Recoverable taxes (i)	9,284	8,535
Other receivables	1,287	4,355
	<u>10,784</u>	<u>12,943</u>

- (i) The Foundation has been granted a waiver of all taxes in accordance with Article III of the agreement between the Government of Jamaica and the Government of the United States of America concerning an Enterprise for the Americas Foundation and in accordance with the provisions of Section 86 of the Income Tax Act. Withholding taxes were deducted from certain interest income received and General Consumption Tax paid on certain assets purchased and administrative expenses. These amounts are therefore recoverable from the relevant authorities.

14. Cash and Bank

	2012 \$'000	2011 \$'000
Cash and bank	<u>35,574</u>	<u>46,481</u>

15. Accounts Payables and Accrued Charges

The foundation received \$23,622,775.17 from the trustees of the defined benefit contribution scheme, being the total obligation of the scheme, for disbursement to the contributors as part of the redundancy exercise carried out by the client during the period. The balance remained payable at the end of the financial period.

16. Managed Funds

	2012 \$'000	2011 \$'000
Bernard Van Leer Fund (a)	46	45
Northern Jamaica Conservation Association Endowment Fund (b)	5,885	5,576
Inter-American Foundation (c)	6,310	1,405
	<u>12,241</u>	<u>7,026</u>

(a) Bernard Van Leer Fund

The Foundation has entered into a partnership with the Bernard Van Leer Foundation for financial and technical support for a project entitled 'Child Support Program' which is to be managed by the Foundation. The balance on the account represents installments received to date less amounts disbursed as follows:

	US \$'000	JA \$'000
Fund balance 1 August 2011 and 31 July 2012	<u>1</u>	<u>46</u>

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16. Managed Funds (Continued)

(b) Northern Jamaica Conservation Association

The Foundation has decided to manage separately monies approved for the establishment of an Endowment Fund for Seven Oaks Sanctuary for Wildlife. The Endowment Fund, which is not yet established, is to be established by Northern Jamaica Conservation Association (NJCA). The amount approved and interest earned is as follows:

	2012 \$'000	2011 \$'000
Opening balance of fund	5,576	5,241
Interest earned during the period	309	335
Closing balance of fund	<u>5,885</u>	<u>5,576</u>

The agreement between the Foundation and NJCA was amended in December 2007. The amendment included the restriction of disbursements to interest earned for a period of five years after which the grant will be eligible for renewal. There were no disbursements in the period.

(c) Inter-American Foundation

The Foundation entered into an agreement with the Inter-American Foundation (IAF), effective 9 September 2010, to co-fund and manage grants with a total value of US\$1,932,500.00 over a 2 year period. The agreement requires IAF to provide cash funding for a total of US\$400,000.00, while the Foundation will provide support in the form of cash and kind valued at US\$1,357,500.00. Organisations receiving the grant funding are required to provide the balance of US\$175,000.00, in order to be eligible for the grants. The Foundation will use its regular selection and monitoring procedures for the awarding of these grants.

	2012 \$'000	2011 \$'000
Opening balance of fund	1,405	-
Additional deposit	15,194	-
Grant disbursed	(10,289)	-
Fund balance 31 July 2012	<u>6,310</u>	<u>1,405</u>

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17. Capital Reserves

The cost of capital assets acquired using administration grant funds received is credited to capital reserves and released to the administration fund over the life of the relevant assets by reference to depreciation charges. The balance is comprised as follows:

	2012	2011
	\$'000	\$'000
Balance at beginning of year	18,699	22,958
Reclassification	203	-
Capital assets acquired from administration grant funds (Note 10)	313	199
Disposal of capital assets	-	(2,390)
Accumulated depreciation on capital assets disposed (Note 10)	-	2,390
	<u>19,215</u>	<u>23,157</u>
Less:		
Transfers to administration fund in current year (depreciation)	<u>(3,760)</u>	<u>(4,458)</u>
Balance at end of year	<u><u>15,455</u></u>	<u><u>18,699</u></u>

18. Commitments

As at 31 July 2012, the Foundation had project grant funds committed and not disbursed of approximately \$22,214,201.43.

19. Pension Scheme

The Foundation was a participating employer in a joint defined contribution pension scheme, which was opened to all permanent employees and administered by the trustees.

The pension scheme, which commenced on 1 August 1999, was authorised to be wound up by the Financial Services Commission effective on the 31 December 2011 and was fully wound up as at 31 July 2012 as part of a redundancy exercise carried out by the client in the period.

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20. Related Party Balances and Transactions

(a) Key management compensation:

	2012	2011
	\$'000	\$'000
Wages and salaries	7,840	6,621
Payroll taxes – employer's portion	722	668
Pension costs	149	259
Other	255	350
	<u>8,966</u>	<u>7,898</u>
Directors' fees	<u>Nil</u>	<u>Nil</u>

(b) Grants disbursed to organisations with directors or senior personnel common to the Foundation:

	2012	2011
	\$'000	\$'000
Council of Voluntary Social Services	700	3,100
Jamaica Institute of Environmental Professionals	-	3,700
Local Initiative Facility for the Urban Environment	-	2,204
Natural History Society of Jamaica	-	171
United Way of Jamaica	-	5,000
University of the West Indies	8,516	26,383
	<u>9,216</u>	<u>40,558</u>

At year ended 31 July 2012, grants approved but not disbursed for University of the West Indies 5,818,272.49.