



**Environmental Foundation of Jamaica**  
(A foundation limited by guarantee)

**Financial Statements**  
**31 July 2016**

# **Environmental Foundation of Jamaica**

(A foundation limited by guarantee)

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## ***Independent Auditor's 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 (the Foundation), set out on pages 1 to 27, which comprise the statement of financial position as at 31 July 2016 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.

### ***Auditor's 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.

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Independent Auditor's Report  
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***Opinion***

In our opinion, the financial statements give a true and fair view of the financial position of the Foundation as at 31 July 2016, 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  
10 March 2017  
Kingston, Jamaica

# Environmental Foundation of Jamaica

(A foundation limited by guarantee)

Statement of Changes in the Americas' Funds

Year ended 31 July 2016

(expressed in Jamaican dollars unless otherwise indicated)

	Note	Fund I \$'000	Fund II \$'000	2016 \$'000	2015 \$'000
Investment income earned		892	641	1,533	1,331
Foreign exchange gains		4	22	26	35
		<u>896</u>	<u>663</u>	<u>1,559</u>	<u>1,366</u>
Unrealised gains on available-for-sale investments	11	9,699	-	9,699	1,943
		<u>10,595</u>	<u>663</u>	<u>11,258</u>	<u>3,309</u>
<b>Less:</b>					
Project grants disbursed, net	5	370	-	370	(186)
Transfers to administration	6	-	-	-	(39)
Investment advisers' fees	9	(190)	(113)	(303)	(239)
		<u>180</u>	<u>(113)</u>	<u>67</u>	<u>(464)</u>
Surplus for year		10,775	550	11,325	2,845
Fund balance at beginning of year		24,995	109,655	134,650	131,805
Fund balance at end of year		<u>35,770</u>	<u>110,205</u>	<u>145,975</u>	<u>134,650</u>

# Environmental Foundation of Jamaica

(A foundation limited by guarantee)

Statement of Financial Position

31 July 2016

(expressed in Jamaican dollars unless otherwise indicated)


	Note	2016 \$'000	2015 \$'000
<b>Non-Current Assets</b>			
Property, plant and equipment	10	12,900	13,800
Beneficial interest in endowment fund	12	85,000	85,000
Available-for-sale investments	11	40,765	29,761
		<u>138,665</u>	<u>128,561</u>
<b>Current Assets</b>			
Other assets	13	724	498
Short term investments	11, 12	560	560
Cash and bank	14	8,924	7,200
		<u>10,208</u>	<u>8,258</u>
<b>Current Liabilities</b>			
Accounts payable and accrued charges	15	3,895	3,197
Due to endowment fund		20,532	20,532
Managed funds	16	4,945	4,945
		<u>29,372</u>	<u>28,674</u>
<b>Net Current Liabilities</b>		<u>(19,164)</u>	<u>(20,416)</u>
		<u>119,501</u>	<u>108,145</u>
<b>Equity</b>			
Administration fund-expenses recoverable	6	(38,730)	(39,419)
Capital reserves	17	12,256	12,914
Americas' funds		145,975	134,650
		<u>119,501</u>	<u>108,145</u>

Approved on behalf of the Board of Directors on 10 March 2017 and signed on its behalf by:



Dale Webber

Director



Ian Watson

Director

# Environmental Foundation of Jamaica

(A foundation limited by guarantee)

Statement of Cash Flows

Year ended 31 July 2016

(expressed in Jamaican dollars unless otherwise indicated)

	2016 \$'000	2015 \$'000
<b>Cash Flows from Operating Activities</b>		
Surplus for the year	11,325	2,845
Adjustments for:		
Depreciation	242	80
Increase in amount due to Administration Fund	689	1,796
Fair value adjustments on available-for-sale investments	(9,699)	(1,941)
Unrealised gain on foreign exchange	(26)	(35)
Investment income	(1,533)	(1,334)
	<u>998</u>	<u>1,411</u>
Changes in operating assets and liabilities:		
Other assets	(226)	34
Accounts payable and accrued charges	698	(3,046)
Managed funds	-	2,919
Cash provided by operating activities	<u>1,470</u>	<u>1,318</u>
<b>Cash Flow From Investing Activities</b>		
Available-for-sale investments	(1,305)	(1,270)
Investment in PPE	-	(966)
Interest received	1,533	1,334
Cash provided by/(used in) investing activities	<u>228</u>	<u>(902)</u>
<b>Increase in cash and cash equivalents</b>	<b>1,698</b>	<b>416</b>
Effect of exchange rate changes on cash and cash equivalents	26	35
Cash and cash equivalent at beginning of year	<u>7,760</u>	<u>7,309</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u>9,484</u></b>	<b><u>7,760</u></b>
<b>Represented by:</b>		
Cash and bank	8,924	7,200
Short term investments	560	560
	<u>9,484</u>	<u>7,760</u>

# Environmental Foundation of Jamaica

(A foundation limited by guarantee)

Notes to the Financial Statements

31 July 2016

(expressed in Jamaican dollars unless otherwise indicated)

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## 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.

On 30 September 2012, the final disbursement from the Government of Jamaica under the EAI Agreement was received. The Board of Directors approved the finalisation of a proposal to merge with Forest Conservation Fund, to raise additional funds and continue the operations of the Foundation.

On 29 June 2015, an Assignment, Assumption and Amendment agreement referred to as the "Assignment Agreement" was entered into by The Government of Jamaica (GOJ), The Nature Conservancy (TNC), The Jamaica Protected Area Trust Limited (JPAT) and the Environmental Foundation of Jamaica (EFJ). The agreement resulted in the transfer of the rights and obligations of JPAT under the "Forest Conservation Agreement" dated 21 September 2004 to EFJ and the agreement of this transfer of rights and obligations by GOJ and TNC. This was a necessary step in effecting the merger of the Forest Conservation Fund with the Foundation.

## 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.

The accompanying financial statements have been prepared on a going concern basis, which contemplates the realisation of assets and settlement of liabilities in the normal course of business.



# Environmental Foundation of Jamaica

(A foundation limited by guarantee)

Notes to the Financial Statements

31 July 2016

(expressed in Jamaican dollars unless otherwise indicated)

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## 2. Summary of Significant Accounting Policies (Continued)

### (a) Basis of preparation (continued)

#### ***Standards, interpretations and amendments to published standards effective in current year***

Certain interpretations and amendments to existing standards have been published that became effective during the current financial year. The Foundation has assessed the relevance of all such new standards, interpretations and amendments, and has adopted the following standard, which is immediately relevant to its operations.

- ***Annual Improvements 2012***, (effective for annual periods beginning on or after 1 July 2015). The improvements comprise changes to a number of standards, the following of which are relevant to the Foundation's operations. IAS 16 and IAS 38 were amended to clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model. IAS 24 was amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity ('the management entity'), and to require to disclose the amounts charged to the reporting entity by the management entity for services provided. There was no significant impact from adoption of these amendments during the year.
- ***Annual Improvements 2013***, (effective for annual periods beginning on or after 1 July 2015). The improvements consist of changes to a number of standards, of which the following are relevant to the Foundation's operations. IFRS 13 was amended to clarify that the portfolio exception in IFRS 13, which allows an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis, applies to all contracts (including contracts to buy or sell non-financial items) that are within the scope of IAS 39 or IFRS 9. IAS 40 was amended to clarify the interrelationship of IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property. There was no significant impact from adoption of these amendments during the year.

#### ***Standards, interpretations and amendments to published standards that are not yet effective and have not been early adopted by the Foundation***

The Foundation has concluded that the following standards which are published but not yet effective are relevant to its operations and will impact its accounting policies and financial disclosures as discussed below. These standards and amendments to existing standards are mandatory for the Foundation's accounting periods beginning after 1 August 2015 or later periods, but the Foundation has not early adopted them:

- ***IFRS 9, 'Financial Instruments'***, addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2015. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income (OCI) and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39.

# Environmental Foundation of Jamaica

(A foundation limited by guarantee)

Notes to the Financial Statements

31 July 2016

(expressed in Jamaican dollars unless otherwise indicated)

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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 and have not been early adopted by the Foundation (continued)***

For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes.

Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Foundation is yet to assess IFRS 9's full impact.

- ***IFRS 15, 'Revenue from contracts with customers'*** deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Foundation is assessing the impact of IFRS 15.
- ***Amendments to IAS 16, 'Property, Plant and Equipment' and IAS 38, 'Intangible Assets' - Clarification of Acceptable Methods of Depreciation and Amortisation***, (effective for the periods beginning on or after 1 January 2016). In these amendments, the IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The Foundation does not expect any impact from the adoption of the amendments on its financial statements as it does not use revenue-based depreciation or amortisation methods.
- ***Amendment to IAS 1, 'Presentation of Financial Statements'***, (effective for annual periods beginning on or after 1 January 2016). This amendment forms part of the IASB's Disclosure Initiative, which explores how financial statement disclosures can be improved. It clarifies guidance in IAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies. The amendment also clarifies that the share of other comprehensive income (OCI) of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, classified between those items that will or will not be subsequently reclassified to profit or loss. The Foundation does not expect any significant impact from the adoption of the amendments on its financial statements.

# Environmental Foundation of Jamaica

(A foundation limited by guarantee)

Notes to the Financial Statements

31 July 2016

(expressed in Jamaican dollars unless otherwise indicated)

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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 and have not been early adopted by the Foundation (continued)***

- ***IFRS 16, 'Leases'*** (effective for annual periods beginning on or after 1 January 2019, with earlier application permitted if IFRS 15, 'Revenue from Contracts with Customers', is also applied). The International Accounting Standards Board (IASB) published IFRS 16, 'Leases', which replaces the current guidance in IAS 17. This will require changes in accounting by lessees in particular. IFRS 16 requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Foundation is currently assessing the impact of future adoption of the new standard on its financial statements.
- ***Annual Improvements 2015***, (effective for annual periods beginning on or after 1 January 2016). The improvements consist of changes to a number of standards, of which the following may be relevant to the Bank's operations. The amendment of IFRS 13 clarifies that the portfolio exception in IFRS 13, which allows an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis, applies to all contracts (including contracts to buy or sell non-financial items) that are within the scope of IAS 39 or IFRS 9. The Foundation is currently assessing the impact of future adoption of the new standard on its financial statements.
- ***IFRIC 22, 'Foreign currency transactions and advance consideration'***, (effective for annual periods beginning on or after 1 January 2018). The interpretation covers foreign currency transactions when an entity recognises a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before the entity recognises the related asset, expense or income. It does not apply when an entity measures the related asset, expense or income on initial recognition at fair value or at the fair value of the consideration received or paid at a date other than the date of initial recognition of the non-monetary asset or non-monetary liability. Also, the interpretation need not be applied to income taxes, insurance contracts or reinsurance contracts. The Foundation is currently assessing the impact of future adoption of the amendments on its financial statements.
- ***Amendments to IAS 7, 'Statement of Cash Flows'***, (effective for annual periods beginning on or after 1 January 2017). In January 2016, the IASB published amendments to IAS 7 to improve information about an entity's financing activities. These amendments are as part of the IASB initiative to improve presentation and disclosure in financial reports. The amendments require disclosure of information enabling users to evaluate changes in liabilities arising from financing activities including both cash and non-cash changes. The future adoption of these amendments will result in additional disclosure in the financial statements.

There are no other new or amended standards and interpretations that are published but not yet effective that are expected to have an impact on the accounting policies or financial disclosures of the Foundation.

# Environmental Foundation of Jamaica

(A foundation limited by guarantee)

Notes to the Financial Statements

31 July 2016

(expressed in Jamaican dollars unless otherwise indicated)

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## 2. Summary of Significant Accounting Policies (Continued)

### (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 yearend 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.

### (e) 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 yearend 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.

# Environmental Foundation of Jamaica

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(expressed in Jamaican dollars unless otherwise indicated)

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## 2. Summary of Significant Accounting Policies (Continued)

### (f) Property, plant and equipment (continued)

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.

#### *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 yearend date, the following financial assets were classified as available for sale: government securities, quoted equities and repurchase agreements.

#### *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 yearend date, the following items were classified as financial liabilities: 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.

### (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.

# Environmental Foundation of Jamaica

(A foundation limited by guarantee)

Notes to the Financial Statements

31 July 2016

(expressed in Jamaican dollars unless otherwise indicated)

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## 2. Summary of Significant Accounting Policies (Continued)

### (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.

### (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.

# Environmental Foundation of Jamaica

(A foundation limited by guarantee)

Notes to the Financial Statements

31 July 2016

(expressed in Jamaican dollars unless otherwise indicated)

## 3. Financial Risk Management (Continued)

### (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.

#### (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:

	2016	2015
	\$'000	\$'000
Investment securities	99,230	98,618
Cash and bank	8,924	7,200
Other assets	468	260
	<u>108,622</u>	<u>106,078</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:

	2016	2015
	\$'000	\$'000
Endowment Fund	85,000	85,000
Government of Jamaica Securities	13,670	13,058
Corporate	560	560
	<u>99,230</u>	<u>98,618</u>

# Environmental Foundation of Jamaica

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Notes to the Financial Statements

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(expressed in Jamaican dollars unless otherwise indicated)

## 3. Financial Risk Management (Continued)

### (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.

#### *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
<b>2016</b>				
Accounts payable and accrued charges	493	278	3,124	3,895
Due to Endowment Fund	-	-	20,532	20,532
Managed funds	-	-	4,945	4,945
	493	278	28,601	29,372
<b>2015</b>				
Accounts payable and accrued charges	425	-	2,772	3,197
Due to Endowment Fund	-	-	20,532	20,532
Managed funds	-	-	4,945	4,945
	425	-	28,249	28,674

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



# Environmental Foundation of Jamaica

(A foundation limited by guarantee)

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(expressed in Jamaican dollars unless otherwise indicated)

## 3. Financial Risk Management (Continued)

### (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.

### Concentrations of currency risk:

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

	2016		
	Jamaican \$ J\$'000	United States \$ J\$'000	Total J\$'000
<b>Financial Assets</b>			
Available-for-sale investments	35,738	5,027	40,765
Short term investments	560	-	560
Cash and bank	4,544	4,380	8,924
Other assets	724	-	724
<b>Total financial assets</b>	<b>41,566</b>	<b>9,407</b>	<b>50,973</b>
<b>Financial Liabilities</b>			
Accounts payable and accrued charges	3,617	278	3,895
Due to Endowment fund	20,532	-	20,532
Managed funds	4,945	-	4,945
<b>Total financial liabilities</b>	<b>29,094</b>	<b>278</b>	<b>29,372</b>
<b>Net financial position</b>	<b>12,472</b>	<b>9,129</b>	<b>21,601</b>

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31 July 2016

(expressed in Jamaican dollars unless otherwise indicated)

## 3. Financial Risk Management (Continued)

### (c) Market risk (continued)

#### *Currency risk (continued)*

	2015		
	Jamaican \$ J\$'000	United States \$ J\$'000	Total J\$'000
<b>Financial Assets</b>			
Available-for-sale investments	25,299	4,462	29,761
Short term investments	560	-	560
Cash and bank	5,388	1,812	7,200
Other assets	498	-	498
<b>Total financial assets</b>	<b>31,745</b>	<b>6,274</b>	<b>38,019</b>
<b>Financial Liabilities</b>			
Accounts payable and accrued charges	3,197	-	3,197
Managed funds	20,532	-	20,532
<b>Total financial liabilities</b>	<b>4,945</b>	<b>-</b>	<b>4,945</b>
<b>Net financial position</b>	<b>28,674</b>	<b>-</b>	<b>28,674</b>
	<b>3,071</b>	<b>6,274</b>	<b>9,345</b>

#### *Foreign currency sensitivity*

The following tables indicate the currencies to which the Foundation had significant exposure on its monetary assets and liabilities and its forecast cash flows. The change in currency rates below represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis shows the impact of translating outstanding foreign currency denominated monetary items, assuming changes in currency rates shown in the table below. 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	Effect on the Americas' Funds	% Change in Currency Rate	Effect on the Americas' Funds
	2016	2016 \$'000	2015	2015 \$'000
<b>Currency:</b>				
USD	+1	(91)	+1	(63)
USD	-6	548	-10	627

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## 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 Foundation 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 \$'000	1 to 3 Months \$'000	Non-Interest Bearing \$'000	Total \$'000
<b>2016</b>				
<b>Assets</b>				
Available-for-sale investments	-	13,670	27,095	40,765
Short term investments	560	-	-	560
Cash and bank	8,924	-	-	8,924
Other assets	-	-	724	724
<b>Total financial assets</b>	<b>9,484</b>	<b>13,670</b>	<b>27,819</b>	<b>50,973</b>
<b>Liabilities</b>				
Managed funds	(1,001)	-	(3,944)	(4,945)
<b>Total financial liabilities</b>	<b>(1,001)</b>	<b>-</b>	<b>(3,944)</b>	<b>(4,945)</b>
<b>Total interest repricing gap</b>	<b>8,483</b>	<b>13,670</b>	<b>23,875</b>	<b>46,028</b>

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## 3. Financial Risk Management (Continued)

### (c) Market risk (Continued)

#### *Interest rate risk (continued)*

	Within 1 Month	1 to 3 Months	Non-Interest Bearing	Total
	\$'000	\$'000	\$'000	\$'000
<b>2015</b>				
<b>Assets</b>				
Available-for-sale investments	-	13,058	16,703	29,761
Short term investments	560	-	-	560
Cash and bank	7,200	-	-	7,200
Other assets	-	-	260	260
<b>Total financial assets</b>	<b>7,760</b>	<b>13,058</b>	<b>16,963</b>	<b>37,781</b>
<b>Liabilities</b>				
Managed funds	(1001)	-	(3,944)	(4,945)
<b>Total financial liabilities</b>	<b>(1001)</b>	<b>-</b>	<b>(3,944)</b>	<b>(4,945)</b>
<b>Total interest repricing gap</b>	<b>6,759</b>	<b>13,058</b>	<b>13,019</b>	<b>32,836</b>

#### *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.

	Effect on the Americas' Funds 2016 \$'000	Effect on the Americas' Funds 2015 \$'000
<b>Change in basis points:</b>		
-1% (2015: -1%)	(135)	(119)
+1% (2015: +2.5%)	135	299

# Environmental Foundation of Jamaica

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## 3. Financial Risk Management (Continued)

### (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.

In Accordance with the Assignment, Assumption & Amendment Agreement dated June 29, 2015, Section 4.1(d), the total administrative expenses should not exceed a maximum combined amount of US\$450,000 without the unanimous approval of the permanent Directors. Administrative expenses had been previously allowed at a maximum of 25% of grants disbursed under the EAI Agreement (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;
- 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
<b>2016</b>				
Investments classified as available-for-sale –				
Quoted equities	27,095	-	-	27,095
Government of Jamaica bonds	-	13,670	-	13,670
	27,095	13,670	-	40,765
<b>2015</b>				
Investments classified as available-for-sale –				
Quoted equities	16,703	-	-	16,703
Government of Jamaica bonds	-	13,058	-	13,058
	16,703	13,058	-	29,761

# Environmental Foundation of Jamaica

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Notes to the Financial Statements

31 July 2016

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## 3. Financial Risk Management (Continued)

### (e) Fair values of financial instruments (continued)

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.

## 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.

# Environmental Foundation of Jamaica

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Notes to the Financial Statements

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## 5. Project Grants Disbursed

	Fund I	Total
	\$'000	\$'000
Projects' disbursement, net	(370)	(370)
<b>Disbursements allocated as follows</b>		
<b>Refunds</b>		
St. Patrick's Foundation	(370)	(370)
<b>Net Disbursements</b>	<b>(370)</b>	<b>(370)</b>

## 6. Administration Fund

In Accordance with the Assignment, Assumption & Amendment Agreement dated June 29, 2015 Section 4.1(d), the total administrative expenses should not exceed a maximum combined amount of US\$450,000 without the unanimous approval of the permanent Directors. Permanent Directors comprise one Director appointed by the Government of Jamaica, one Director appointed by the United States Government and one Director appointed by The Nature Conservancy. Administrative expenses had been previously allowed at a maximum of 25% of grants disbursed under the EAI Agreement. Refer to table for analysis of amounts received.

	2016	2015
	\$'000	\$'000
Grant funds transferred from Americas' Funds	-	39
Grant funds from Jamaica Protected Areas Trust	30,915	31,404
	30,915	31,443
Other income	2,937	1,910
	33,852	33,353
Released from capital reserves	658	695
Less: Administrative expenses for the year (Note 7)	(33,821)	(32,252)
	689	1,796
Balance at beginning of year	(39,419)	(41,215)
Expenses recoverable from America's Fund	(38,730)	(39,419)

Total administrative expenses during the year was below the threshold permitted and indicated below:

	2016	2015
	\$'000	\$'000
Jamaican Dollar equivalent of US\$450,000	56,313	52,790
Less: Administrative expenses for the year	(33,821)	(32,252)
Excess	22,492	20,538

# Environmental Foundation of Jamaica

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Notes to the Financial Statements

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## 7. Expenses by Nature

	2016 \$'000	2015 \$'000
Advertising and public relations	189	181
Auditors' remuneration	800	750
Depreciation (Note 10)	900	775
Legal and professional fees	1,500	3
Local and foreign travelling expenses	177	147
Motor vehicle expenses	887	540
Office and general expenses	1,687	1,385
Printing and stationery	45	83
Repairs and maintenance	1,262	1,378
Staff costs (Note 8)	20,883	21,262
Security	2,359	2,307
Utilities	2,249	2,505
Other expenses	883	936
	<u>33,821</u>	<u>32,252</u>



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## 8. Staff Costs

	2016 \$'000	2015 \$'000
Wages and salaries	18,239	18,686
Payroll taxes – employer's portion	1,899	1,951
Other	745	625
	<u>20,883</u>	<u>21,262</u>

The number of persons employed by the Foundation at the year end was 7 (2015 - 7).

## 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 -

	2016 \$'000	2015 \$'000
BPM Financials Limited	<u>303</u>	<u>239</u>

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## 10. Property, Plant and Equipment

	2016				
	Freehold Land and Building	Motor Vehicles	Computers	Furniture and Fixtures	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
At Cost -					
At 1 August 2015	23,802	3,136	18,520	6,720	52,178
At 31 July 2016	23,802	3,136	18,520	6,720	52,178
Depreciation -					
At 1 August 2015	11,079	3,136	17,525	6,638	38,378
Charge for the year	523	-	341	36	900
At 31 July 2016	11,602	3,136	17,866	6,674	39,278
Net Book Value -					
31 July 2016	12,200	-	654	46	12,900
	2015				
	Freehold Land and Building	Motor Vehicles	Computers	Furniture and Fixtures	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
At Cost -					
At 1 August 2014	23,802	3,136	17,554	6,720	51,212
Additions	-	-	966	-	966
At 31 July 2015	23,802	3,136	18,520	6,720	52,178
Depreciation -					
At 1 August 2014	10,552	3,136	17,345	6,570	37,603
Charge for the year	527	-	180	68	775
At 31 July 2015	11,079	3,136	17,525	6,638	38,378
Net Book Value -					
31 July 2015	12,723	-	995	82	13,800

# Environmental Foundation of Jamaica

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## 11. Available-for-Sale Investments

	2016 \$'000	2015 \$'000
At beginning of year	29,761	27,109
Fair value adjustment	9,699	1,943
Accrued interest	1,839	1,234
Exchange differences	26	35
At end of year (Note 12)	<u>41,325</u>	<u>30,321</u>
Current portion	<u>(560)</u>	<u>(560)</u>
	<u>40,765</u>	<u>29,761</u>

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.

## 12. Investment Securities

	2016 \$'000	2015 \$'000
Total investments comprised the following -		
Beneficial interest in Endowment Fund	85,000	85,000
Available-for-sale investment (Note 11)	40,765	29,761
Short term investments (Note 11)	560	560
	<u>126,325</u>	<u>115,321</u>

The Board, in recognition that the America's Fund is a reducing source which was established for a limited period of time, approved the establishment of an endowment fund on 23 September 2004 and seeded the fund with \$85,000,000 in January 2013. The purpose of the fund is to ensure that the Foundation has a long-standing and sustained source of income.

# Environmental Foundation of Jamaica

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## 12. Investment Securities (Continued)

### *Investment Securities by Adviser*

	Fund I \$'000	Fund II \$'000	Other \$'000	2016 \$'000	2015 \$'000
Beneficial interest in Endowment Fund	-	-	85,000	85,000	85,000
Available-for-sale investments -					
Barita Portfolio Management Limited					
Securities	143	13,482	-	13,625	13,008
Quoted equities	27,095	-	-	27,095	16,703
National Commercial Bank Limited	84	24	-	108	108
	<u>27,322</u>	<u>13,506</u>	<u>85,000</u>	<u>125,828</u>	<u>114,819</u>
Accrued interest	199	298	-	497	502
<b>Total investments</b>	<u><u>27,521</u></u>	<u><u>13,804</u></u>	<u><u>85,000</u></u>	<u><u>126,325</u></u>	<u><u>115,321</u></u>

## 13. Other Assets

	2016 \$'000	2015 \$'000
Prepayments	256	235
Other receivables	468	263
	<u>724</u>	<u>498</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.

## 14. Cash and Bank

	2016 \$'000	2015 \$'000
Cash and bank	<u>8,924</u>	<u>7,200</u>

# Environmental Foundation of Jamaica

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## 15. Accounts Payable and Accrued Charges

	2016 \$'000	2015 \$'000
Accounts payable	278	-
Accrued charges	1,597	1,329
Other	2,020	1,868
	<u>3,895</u>	<u>3,197</u>

## 16. Managed Funds

	2016 \$'000	2015 \$'000
Northern Jamaica Conservation Association Endowment Fund (a)	1,001	1,001
Inter-American Foundation (b)	3,944	3,944
	<u>4,945</u>	<u>4,945</u>

### (a) 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 amount approved and interest earned is as follows:

	2016 \$'000	2015 \$'000
Opening balance of fund	1,001	1,001
Closing balance of fund	<u>1,001</u>	<u>1,001</u>

The agreement between the Foundation and NJCA (amended in December 2007) 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.

# Environmental Foundation of Jamaica

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Notes to the Financial Statements

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## 16. Managed Funds (Continued)

### (b) 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 and scheduled to end on March 9, 2017. 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. There was no movement during the period.

	2016 \$'000	2015 \$'000
Opening balance of fund	3,944	1,024
Additional deposit	-	4,080
Grants disbursed	-	(1,160)
Fund balance 31 July 2016	<u>3,944</u>	<u>3,944</u>

## 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:

	2016 \$'000	2015 \$'000
Balance at beginning of year	12,914	13,609
Less:		
Transfers to administration fund in current year (depreciation)	<u>(658)</u>	<u>(695)</u>
Balance at end of year	<u>12,256</u>	<u>12,914</u>

Depreciation noted in the Capital Reserves differ from amount recognised in Note 10 property, plant and equipment as the funds used to acquire the computers in the prior year was obtained from sources external to the America's Fund. The depreciation charges recognise in capital reserves excludes depreciation on these assets.

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## 18. Commitments

As at 31 July 2016, the Foundation had project grant funds committed and not disbursed of approximately \$13,651,000.

## 19. Related Party Balances and Transactions

### (a) Key management compensation:

	2016 \$'000	2015 \$'000
Wages and salaries	10,608	10,840
Payroll taxes – employer's portion	1,090	1,112
Other	180	180
	<u>11,878</u>	<u>12,132</u>
Directors' fees	<u>Nil</u>	<u>Nil</u>

At year ended 31 July 2016, grants approved but not disbursed for University of the West Indies \$939,812.