



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

**Financial Statements**  
**31 July 2015**

# Environmental Foundation of Jamaica

(A foundation limited by guarantee)

Index

31 July 2015

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## Page

### Independent Auditors' Report to the Members

### Financial Statements

Statement of changes in the Americas' Funds	1
Statement of financial position	2
Statement of cash flows	3
Notes to the financial statements	4 – 26



## ***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 26, which comprise the statement of financial position as at 31 July 2015 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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**Members of Environmental Foundation of Jamaica  
Independent Auditor's Report  
Page 2**

***Opinion***

In our opinion, the financial statements give a true and fair view of the financial position of the Foundation as at 31 July 2015, 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.

Without qualifying our opinion, we draw attention to Note 2 to the financial statements which state that the Foundation received its final disbursement from the Government of Jamaica under the Enterprise for the Americas Initiative Framework Agreement on 30 September 2013. This condition indicates the existence of a material uncertainty which may cast significant doubt about the Foundation's ability to continue as a going concern. The financial statements do not include any adjustment relating to the recoverability and classification of recorded asset amounts and the amounts of liabilities that may result from the outcome of the uncertainty.

*PricewaterhouseCoopers*  
Chartered Accountants  
30 June 2016  
Kingston, Jamaica

# Environmental Foundation of Jamaica

(A foundation limited by guarantee)

Statement of Changes in the Americas' Funds

Year ended 31 July 2015

(expressed in Jamaican dollars unless otherwise indicated)

	Note	Fund I \$'000	Fund II \$'000	2015 \$'000	2014 \$'000
Investment income earned		591	740	1,331	2,369
Foreign exchange gains		35	-	35	4
		626	740	1,366	2,373
Unrealised gains/(losses) on available-for-sale investments	11	1,943	-	1,943	(535)
		2,569	740	3,309	1,838
Less:					
Project grants disbursed, net	5	(200)	14	(186)	(9,096)
Transfers to administration	6	(39)	-	(39)	(15)
Investment advisers' fees	9	(132)	(107)	(239)	(223)
		(371)	(93)	(464)	(9,334)
Surplus/(Deficit) for year		2,198	647	2,845	(7,496)
Fund balance at beginning of year		22,797	109,008	131,805	139,301
Fund balance at end of year		24,995	109,655	134,650	131,805

# Environmental Foundation of Jamaica

(A foundation limited by guarantee)

## Statement of Financial Position

31 July 2015

(expressed in Jamaican dollars unless otherwise indicated)

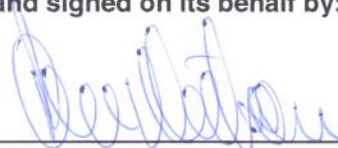
	Note	2015 \$'000	2014 \$'000
<b>Non-Current Assets</b>			
Property, plant and equipment	10	13,800	13,609
Beneficial interest in endowment fund	12	85,000	85,000
Available-for-sale investments	11	29,761	26,549
		<u>128,561</u>	<u>125,158</u>
<b>Current Assets</b>			
Other assets	13	498	532
Short term investments	11, 12	560	560
Cash and bank	14	7,200	6,749
		<u>8,258</u>	<u>7,841</u>
<b>Current Liabilities</b>			
Accounts payable and accrued charges	15	3,197	6,243
Due to endowment fund		20,532	20,532
Managed funds	16	4,945	2,025
		<u>28,674</u>	<u>28,800</u>
<b>Net Current (Liabilities)/Assets</b>		<u>(20,416)</u>	<u>(20,959)</u>
		<u>108,145</u>	<u>104,199</u>
<b>Equity</b>			
Administration fund-expenses recoverable	6	(39,419)	(41,215)
Capital reserves	17	12,914	13,609
Americas' funds		134,650	131,805
		<u>108,145</u>	<u>104,199</u>

Approved on behalf of the Board of Directors on 30 June 2016 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 2015

(expressed in Jamaican dollars unless otherwise indicated)

	2015 \$'000	2014 \$'000
<b>Cash Flows from Operating Activities</b>		
Surplus/(Deficit) for the year	2,845	(7,496)
Adjustments for:		
Increase/(Decrease) in amount due to Administration Fund	1,796	(22,231)
Fair value adjustments on available-for-sale investments	(1,941)	535
Unrealised gain on foreign exchange	(35)	(4)
Investment income	(1,334)	(2,369)
	1,331	(31,565)
Changes in operating assets and liabilities:		
Other assets	34	8,500
Accounts payable and accrued charges	(3,046)	(402)
Due to Endowment funds	-	12,108
Managed funds	2,919	(5,540)
Cash used in operating activities	1,238	(16,899)
<b>Cash Flow From Investing Activities</b>		
Available-for-sale investments	(1,270)	(1,123)
Investment in PPE	(886)	-
Interest received	1,334	2,369
Cash provided by investing activities	(822)	1,246
<b>Decrease in cash and cash equivalents</b>	416	(15,653)
Effect of exchange rate changes on cash and cash equivalents	35	4
Cash and cash equivalent at beginning of year	7,309	22,958
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>7,760</b>	<b>7,309</b>
<b>Represented by:</b>		
Cash and bank	7,200	6,749
Short term investments	560	560
	<b>7,760</b>	<b>7,309</b>

# Environmental Foundation of Jamaica

(A foundation limited by guarantee)

Notes to the Financial Statements

31 July 2015

(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 2013, 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.

## 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. As discussed in Note 1 to the financial statements, the Foundation received its final disbursement from the Government of Jamaica under the EAI Agreement in September 2013 which indicates the existence of a material uncertainty which may cast significant doubt about the Foundation's ability to continue as a going concern. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and the amounts and classification of liabilities that may result from the outcome of the uncertainties.

# Environmental Foundation of Jamaica

(A foundation limited by guarantee)

Notes to the Financial Statements

31 July 2015

(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.

- ***Amendments to IAS 32, 'Financial Instruments: Presentation'***, (effective for annual periods beginning on or after 1 January 2014). These amendments are to the application guidance in IAS 32, 'Financial Instruments: Presentation', and clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. These amendments did not have a material impact on the Foundation's Financial Statements.

#### ***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'***, (effective for annual periods beginning on or after 1 January 2018). IFRS 9 addresses classification and measurement of financial assets and replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortised cost and fair value. Classification under IFRS 9 is driven by the entity's business model for managing the financial assets and the contractual characteristics of the financial assets. IFRS 9 removes also the requirement to separate embedded derivatives from financial asset hosts. It requires a hybrid contract to be classified in its entirety at either amortised cost or fair value. For financial liabilities, IFRS 9 retains most of the IAS 39 requirements, including amortised cost accounting for most financial liabilities and the requirement to separate embedded derivatives. The main change is where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than in profit or loss, unless this creates an accounting mismatch. The adoption of IFRS 9 is currently not expected to have a material impact on the Foundation's financial position or results.

# Environmental Foundation of Jamaica

(A foundation limited by guarantee)

Notes to the Financial Statements

31 July 2015

(expressed in Jamaican dollars unless otherwise indicated)

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

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

- **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.

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.

### (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

- 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.
- 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.

# Environmental Foundation of Jamaica

(A foundation limited by guarantee)

Notes to the Financial Statements

31 July 2015

(expressed in Jamaican dollars unless otherwise indicated)

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

### (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 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.

# Environmental Foundation of Jamaica

(A foundation limited by guarantee)

Notes to the Financial Statements

31 July 2015

(expressed in Jamaican dollars unless otherwise indicated)

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

### (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 year end 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 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.

### (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.

# Environmental Foundation of Jamaica

(A foundation limited by guarantee)

Notes to the Financial Statements

31 July 2015

(expressed in Jamaican dollars unless otherwise indicated)

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

### (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 2015

(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:

	2015 \$'000	2014 \$'000
Investment securities	98,618	97,895
Cash and bank	7,200	6,749
Other assets	260	301
	<u>106,078</u>	<u>104,945</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:

	2015 \$'000	2014 \$'000
Endowment Fund	85,000	85,000
Government of Jamaica Securities	13,058	12,335
Corporate	560	560
	<u>98,618</u>	<u>97,895</u>

# Environmental Foundation of Jamaica

(A foundation limited by guarantee)

Notes to the Financial Statements

31 July 2015

(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>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
<b>2014</b>				
Accounts payable and accrued charges	443	2,989	2,811	6,243
Due to Endowment Fund	-	-	20,532	20,532
Managed funds	-	-	2,025	2,025
	443	2,989	25,368	28,800

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)

Notes to the Financial Statements

31 July 2015

(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.

	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
Total financial assets	31,745	6,274	38,019
<b>Financial Liabilities</b>			
Accounts payable and accrued charges	3,197	-	3,197
Due to Endowment fund	20,532	-	20,532
Managed funds	4,945	-	4,945
Total financial liabilities	28,674	-	28,674
<b>Net financial position</b>	3,072	6,274	9,345

# Environmental Foundation of Jamaica

(A foundation limited by guarantee)

Notes to the Financial Statements

31 July 2015

(expressed in Jamaican dollars unless otherwise indicated)

## 3. Financial Risk Management (Continued)

### (c) Market risk (continued)

#### Currency risk (continued)

	2014		
	Jamaican \$ J\$'000	United States \$ J\$'000	Total J\$'000
<b>Financial Assets</b>			
Available-for-sale investments	21,117	5,432	26,549
Short term investments	558	-	558
Cash and bank	1,526	5,223	6,749
Other assets	532	-	532
Total financial assets	23,733	10,655	34,388
<b>Financial Liabilities</b>			
Accounts payable and accrued charges	6,243	-	6,243
Managed funds	20,532	-	20,532
Total financial liabilities	2,025	-	2,025
<b>Net financial position</b>	28,800	-	28,800
	(5,067)	10,655	5,588

#### 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 2015 \$'000	% Change in Currency Rate	Effect on the Americas' Funds 2014 \$'000
	2015	2015 \$'000	2014	2014 \$'000
<b>Currency:</b>				
USD	+1	(63)	+1	(107)
USD	-10	627	-10	1,066

# Environmental Foundation of Jamaica

(A foundation limited by guarantee)

Notes to the Financial Statements

31 July 2015

(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 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	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
Total financial assets	7,760	13,058	16,963	37,781
<b>Liabilities</b>				
Managed funds	(1001)	-	(3,944)	(4,945)
Total financial liabilities	(1001)	-	(3,944)	(4,945)
<b>Total interest repricing gap</b>	<b>6,759</b>	<b>13,058</b>	<b>13,019</b>	<b>32,836</b>

# Environmental Foundation of Jamaica

(A foundation limited by guarantee)

Notes to the Financial Statements

31 July 2015

(expressed in Jamaican dollars unless otherwise indicated)

## 3. Financial Risk Management (Continued)

### (c) Market risk (Continued)

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

	Within 1 Month \$'000	1 to 3 Months \$'000	Non-Interest Bearing \$'000	Total \$'000
	<b>2014</b>			
<b>Assets</b>				
Available-for-sale investments	-	12,335	14,214	26,549
Short term investments	560	-	-	560
Cash and bank	6,749	-	-	6,749
Other assets	-	-	301	301
Total financial assets	7,309	12,335	14,515	34,159
<b>Liabilities</b>				
Managed funds	1,001	-	1,024	2,025
Total financial liabilities	1,001	-	1,024	2,025
<b>Total interest repricing gap</b>	<b>6,308</b>	<b>12,335</b>	<b>13,491</b>	<b>32,134</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 2015 \$'000	Effect on the Americas' Funds 2014 \$'000
<b>Change in basis points:</b>		
-1% (2014: -1%)	(119)	(119)
+ 2.5% (2014: +2.5%)	299	299

# Environmental Foundation of Jamaica

(A foundation limited by guarantee)

Notes to the Financial Statements

31 July 2015

(expressed in Jamaican dollars unless otherwise indicated)

## 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.

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;
- 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>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
	<b>2014</b>			
Investments classified as available-for-sale –				
Quoted equities	14,214	-	-	14,214
Government of Jamaica bonds	-	12,335	-	12,335
	14,214	12,335	-	26,549

# Environmental Foundation of Jamaica

(A foundation limited by guarantee)

Notes to the Financial Statements

31 July 2015

(expressed in Jamaican dollars unless otherwise indicated)

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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

(A foundation limited by guarantee)

Notes to the Financial Statements

31 July 2015

(expressed in Jamaican dollars unless otherwise indicated)

## 5. Project Grants Disbursed

	<b>Fund I</b>	<b>Fund II</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Projects' disbursement, net	(200)	14	(186)
<b>Disbursements allocated as follows</b>			
Sunbeam Children's Home	(200)	-	(200)
<b>Refunds</b>			
Sunbeam Children's Home	-	14	14
<b>Net Disbursements</b>	<b>(200)</b>	<b>14</b>	<b>(186)</b>

## 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 -

	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Grant funds transferred from Americas' Funds	39	15
Grant funds from Jamaica Protected Areas Trust	31,404	9,423
Less: Cost of property, plant & equipment purchased, transferred to capital reserves (Note 10)	0	(77)
	31,443	9,361
Other income	1,910	4,066
	33,353	13,427
Released from capital reserves (Note 10)	695	898
Less: Administrative expenses for the year (Note 7)	(32,252)	(36,556)
	1,796	(22,231)
Balance at beginning of year	(41,215)	(18,984)
Expenses recoverable from America's Fund	(39,419)	(41,215)

# Environmental Foundation of Jamaica

(A foundation limited by guarantee)

Notes to the Financial Statements

31 July 2015

(expressed in Jamaican dollars unless otherwise indicated)

## 6. Administration Fund (Continued)

The Foundation signed a Memorandum of Understanding with Jamaica Protective Area Trust, pursuant to the consolidation of both entities, whereby Jamaica Protective Area Trust will transfer funds to Environmental Foundation of Jamaica on a monthly basis to cover operating costs including payroll, utilities and other bills. The agreement became effective on 1 April 2014 and a total of \$31,404,191 has been received as of 31 July 2015. This amount is not adjusted for in the computation of the percentage of administrative expenses to grant disbursed below.

Administrative expenses during the year exceeded the ceiling of 25% of grants disbursed as permitted and indicated below:

	2015 \$'000	2014 \$'000
25% of net grants disbursed	46	2,274
Less: Administrative expenses for the year	(32,252)	(36,556)
Excess	(32,206)	(34,282)

	2015 \$'000	2015 % of Grants disbursed	2014 \$'000	2014 % of Grants disbursed
Administrative expenses	(32,252)	17343%	36,555	402%

## 7. Expenses by Nature

	2015 \$'000	2014 \$'000
Advertising and public relations	181	170
Auditors' remuneration	750	750
Depreciation (Note 10)	775	898
Legal and professional fees	3	10
Local and foreign travelling expenses	147	80
Motor vehicle expenses	540	710
Impaired receivable	-	7,938
Office and general expenses	1,385	1,414
Printing and stationery	83	117
Repairs and maintenance	1,378	1,000
Staff costs (Note 8)	21,262	17,970
Security	2,307	2,239
Utilities	2,505	3,024
Other expenses	936	236
	32,252	36,556

# Environmental Foundation of Jamaica

(A foundation limited by guarantee)

Notes to the Financial Statements

31 July 2015

(expressed in Jamaican dollars unless otherwise indicated)

## 8. Staff Costs

	2015 \$'000	2014 \$'000
Wages and salaries	18,686	15,398
Payroll taxes – employer's portion	1,951	1,631
Other	625	941
	<u>21,262</u>	<u>17,970</u>

The number of persons employed by the Foundation at the year end was 7 (2014 - 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 -

	2015 \$'000	2014 \$'000
BPM Financials Limited	107	101
Scotia Jamaica Investment Management Limited	132	122
	<u>239</u>	<u>223</u>

# Environmental Foundation of Jamaica

(A foundation limited by guarantee)

Notes to the Financial Statements

31 July 2015

(expressed in Jamaican dollars unless otherwise indicated)

## 10. Property, Plant and Equipment

		2015				
		Freehold Land and Building \$'000	Motor Vehicles \$'000	Computers \$'000	Furniture and Fixtures \$'000	Total \$'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

		2014				
		Freehold Land and Building \$'000	Motor Vehicles \$'000	Computers \$'000	Furniture and Fixtures \$'000	Total \$'000
At Cost -						
At 1 August 2013		23,802	3,136	17,554	6,643	51,135
Additions		-	-	-	77	77
At 31 July 2014		23,802	3,136	17,554	6,720	51,212
Depreciation -						
At 1 August 2013		9,958	3,136	17,246	6,365	36,705
Charge for the year		594	-	99	205	898
At 31 July 2014		10,552	3,136	17,345	6,570	37,603
Net Book Value -						
31 July 2014		13,250	-	209	150	13,609

# Environmental Foundation of Jamaica

(A foundation limited by guarantee)

Notes to the Financial Statements

31 July 2015

(expressed in Jamaican dollars unless otherwise indicated)

## 11. Available-for-Sale Investments

	2015 \$'000	2014 \$'000
At beginning of year	27,109	27,664
Net disposals	-	(525)
Fair value adjustment	1,943	(535)
Accrued interest	1,234	501
Exchange differences	35	4
At end of year (Note 12)	30,321	27,109
Current portion	(560)	(560)
	<u>29,761</u>	<u>26,549</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 by Adviser

	2015 \$'000	2014 \$'000
Total investments comprised the following -		
Beneficial interest in Endowment Fund	85,000	85,000
Available-for-sale investment (Note 11)	29,761	26,549
Short term investments (Note 11)	560	560
	<u>115,321</u>	<u>112,109</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

(A foundation limited by guarantee)

Notes to the Financial Statements

31 July 2015

(expressed in Jamaican dollars unless otherwise indicated)

## 12. Investment Securities by Adviser (Continued)

	Fund I \$'000	Fund II \$'000	Other \$'000	2015 \$'000	2014 \$'000
Beneficial interest in Endowment Fund	-	-	85,000	85,000	85,000
Available-for-sale investments -					
Barita Portfolio Management Limited					
Securities	172	12,836	-	13,008	12,335
Quoted equities	16,703	-	-	16,703	14,214
National Commercial Bank Limited	84	24	-	108	107
	16,959	12,860	85,000	114,819	111,656
Accrued interest	199	303	-	502	501
Total investments	17,183	13,163	85,000	115,321	112,157

## 13. Other Assets

	2015 \$'000	2014 \$'000
Prepayments	235	231
Other receivables	263	301
	<u>498</u>	<u>532</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

	2015 \$'000	2014 \$'000
Cash and bank	<u>7,200</u>	<u>6,749</u>

# Environmental Foundation of Jamaica

(A foundation limited by guarantee)

Notes to the Financial Statements

31 July 2015

(expressed in Jamaican dollars unless otherwise indicated)

## 15. Accounts Payable and Accrued Charges

	2015 \$'000	2014 \$'000
Accounts payable	-	2,989
Accrued charges	1,329	1,193
Other	1,868	2,061
	<u>3,197</u>	<u>6,243</u>

## 16. Managed Funds

	2015 \$'000	2014 \$'000
Northern Jamaica Conservation Association Endowment Fund (a)	1,001	1,001
Inter-American Foundation (b)	3,944	1,024
	<u>4,945</u>	<u>2,025</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:

	2015 \$'000	2014 \$'000
Opening balance of fund	1,001	1,001
Closing balance of fund	<u>1,001</u>	<u>1,001</u>

# Environmental Foundation of Jamaica

(A foundation limited by guarantee)

Notes to the Financial Statements

31 July 2015

(expressed in Jamaican dollars unless otherwise indicated)

## 16. Managed Funds (Continued)

### (a) Northern Jamaica Conservation Association (Continued)

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.

### (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 9 September 2016. 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.

	2015 \$'000	2014 \$'000
Opening balance of fund	1,024	6,512
Additional deposit	4,080	-
Grants disbursed	(1,160)	(5,488)
Fund balance 31 July 2015	<u>3,944</u>	<u>1,024</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:

	2015 \$'000	2014 \$'000
Balance at beginning of year	13,609	14,430
Capital assets acquired from administration grant funds (Note 10)	<u>-</u>	<u>77</u>
	13,609	14,507
Less:		
Transfers to administration fund in current year (depreciation)	<u>(695)</u>	<u>(898)</u>
Balance at end of year	<u>12,914</u>	<u>13,609</u>

The Capital Reserves differ from amount recognised as additions of property, plant and equipment in Note 10 as the funds used to acquire the assets was obtained from sources external to the America's Fund. The depreciation charges recognise in capital reserves would also exclude depreciation on these acquired assets.

# Environmental Foundation of Jamaica

(A foundation limited by guarantee)

Notes to the Financial Statements

31 July 2015

(expressed in Jamaican dollars unless otherwise indicated)

## 18. Commitments

As at 31 July 2015, 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:

	2015 \$'000	2014 \$'000
Wages and salaries	10,840	9,900
Payroll taxes – employer's portion	1,112	1,035
Other	180	192
	<u>12,132</u>	<u>11,127</u>
Directors' fees	<u>Nil</u>	<u>Nil</u>

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

	2015 \$'000	2014 \$'000
Port Royal Marine Laboratory	<u>-</u>	<u>270</u>
	<u>-</u>	<u>270</u>

At year ended 31 July 2015, grants approved but not disbursed for University of the West Indies \$939,812.