

THE CROPPER FOUNDATION

PILOT AN INNOVATIVE APPROACH TO ADAPTATION IN TOBAGO PROJECT

FINANCIAL STATEMENTS

FOR THE PERIOD 15 DECEMBER 2015 TO 15 JUNE 2018

Ernst & Young



**Building a better
working world**

THE CROPPER FOUNDATION

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INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF THE CROPPER FOUNDATION

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of 'Pilot an Innovative Approach to Adaptation in Tobago' ("the Project") which comprises the statement of cash received and disbursements made and the statement of cumulative investments for the period 15 December 2015 to 15 June 2018, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Project for the period 15 December 2015 to 15 June 2018 are prepared in all material respects, in accordance with the financial reporting requirements of the contractual clause 4 of the letter of agreement and the Audited Financial Reports and External Audit Management Handbook for projects financed by the Inter-American Development Bank ("IDB").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Project in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Basis of Accounting and Restriction on Distribution and Use

We draw attention to Note 2 a) to the financial statements, which describes the basis of accounting. The financial statements have been prepared to assist the Project in accordance with the requirements of the letter of agreement and the Audited Financial Reports and External Audit Management Handbook for projects financed by the IDB. As a result, the financial statements may not be suitable for another purpose. Our report is intended only for the Executing Agency/Coordinator (or equivalent) of the Project ("The Cropper Foundation") and the IDB and should not be distributed to other parties other than the IDB or the Executing Agency/Coordinator (or equivalent) of the Project. Our opinion is not modified in respect of this matter.

Responsibilities of Management and the Board of Trustees for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the requirements established in the contractual clause 4 of the letter of agreement and the Audited Financial Reports and External Audit Management Handbook for projects financed by the IDB. In addition, management is responsible for establishing internal controls as they determine necessary to enable the preparation of statements that are free from material misstatement, whether due to fraud or error.

The Board of Trustees are responsible for overseeing the Project's financial reporting process.

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF
THE CROPPER FOUNDATION

Report on the Audit of the Financial Statements
(Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objective is to obtain reasonable assurance that the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Cropper Foundation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Trustees regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Port of Spain,
TRINIDAD:
25 October 2018

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STATEMENT OF CASH RECEIVED AND DISBURSEMENTS MADE
FOR THE PERIOD 15 DECEMBER 2015 TO 15 JUNE 2018
(Expressed in United States Dollars)

	Notes	IDB \$	LOCAL \$	TOTAL \$
CASH RECEIVED				
Activity during the period				
- Disbursements (advances, reimbursements, direct payments and reimbursements guaranteed by letter of credit)	3	<u>529,574</u>	<u>—</u>	<u>529,574</u>
TOTAL CASH RECEIVED		<u>529,574</u>	<u>—</u>	<u>529,574</u>
DISBURSEMENTS				
- Payments for goods and services		<u>(529,574)</u>	<u>(95,859)</u>	<u>(625,433)</u>
TOTAL CASH DISBURSEMENTS		<u>(529,574)</u>	<u>(95,859)</u>	<u>(625,433)</u>
AVAILABLE CASH AS OF PERIOD-END		<u>—</u>	<u>(95,859)</u>	<u>(95,859)</u>

The accompanying notes form an integral part of these financial statements.

On 25 October 2018, these financial statements were authorised for issue by the Members of the Board and signed on their behalf by:

: Director 

: Director 



THE CROPPER FOUNDATION

PILOT AN INNOVATIVE APPROACH TO ADAPTATION IN TOBAGO PROJECT

STATEMENT OF CUMULATIVE INVESTMENTS
FOR THE PERIOD 15 DECEMBER 2015 TO 15 JUNE 2018
(Expressed in United States Dollars)

ITEM	IDB \$	LOCAL \$	TOTAL \$
01.01.00 - Final Selection of Project Site	7,000	32,490	39,490
01.02.00 - Environmental and Social Management Plan for Project Site	—	—	—
01.03.00 - Management Plan for Pilot Attraction	—	—	—
01.04.00 - Production and Deployment of Two Pilot Sculptures	<u>196,153</u>	<u>26,647</u>	<u>222,800</u>
01.00.00 - Piloting an Underwater Installation for Adaptation	<u>203,153</u>	<u>59,137</u>	<u>262,290</u>
02.01.00 - Feasibility Study for Water Pollution Control	<u>166,315</u>	—	<u>166,315</u>
02.00.00 - Study on Water Pollution Mitigation	<u>166,315</u>	—	<u>166,315</u>
03.01.00 - Economic and Financial Feasibility Study	28,800	—	28,800
03.02.00 - Market Study	56,949	—	56,949
03.03.00 - Communications and Marketing Plan/Campaign	—	—	—
03.00.00 - Market, Feasibility and Communications & Marketing	<u>85,749</u>	—	<u>85,749</u>
04.01.00 - Project Administration	74,357	36,722	111,079
04.02.00 - Monitoring and Evaluation	—	—	—
04.03.00 - Auditing	—	—	—
04.00.00 - Project Administration, Audit, M&E	<u>74,357</u>	<u>36,722</u>	<u>111,079</u>
GRAND TOTAL	<u>529,574</u>	<u>95,859</u>	<u>625,433</u>

The accompanying notes form an integral part of these financial statements.

THE CROPPER FOUNDATION

PILOT AN INNOVATIVE APPROACH TO ADAPTATION IN TOBAGO PROJECT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD 15 DECEMBER 2015 TO 15 JUNE 2018

(Expressed in United States Dollars)

1. Description of the project

To Pilot an Innovative Approach in Tobago Project (the "Project") is to support the climate change adaptation and to support sustainable and environmentally friendly development for Tobago's economy. Specifically, it will undertake a feasibility assessment for the implementation of a large underwater art installation to facilitate the natural recovery of the Buccoo Reef and provide a new source of income for the tourism and cultural and creative industries. The park will serve as a rival attraction reducing the number of visitors to the reef thereby facilitating its natural recovery.

Key activities/components:

- a) Piloting of an underwater installation for adaptation
- b) Study on water pollution mitigation
- c) Market, feasibility and communications and marketing

This Project was executed by The Cropper Foundation (the "Foundation") and monitored and supervised by the Inter-American Development Bank ("IDB") through its Climate Change and Sustainability Division (INE/CCS). The Foundation coordinated all activities with the different stakeholders and hired the consultants for the activities under the project. The project activities were for a period of thirty months, which officially ended in June 2018.

The Foundation is a not-for-profit organization established in 2000 with a focus on environmentally-sustainable and economically-equitable development in Trinidad and Tobago. Its work is geared towards influencing local, regional and global development policy and practice so that socio-economic and political issues and environmental concerns are addressed in a holistic manner, within the framework of sustainable development.

2. Significant accounting policies

a) Basis of accounting

i) *Cash basis of accounting*

The financial statements have been prepared using the cash basis of accounting, recognizing revenue when the cash is received and recognizing expenses when the cash has been disbursed. This record keeping modality differs from the IPSAS under which transactions should be recorded as they are incurred and not when they are paid. However, the IPSAS have been applied to these circumstances discussed in the chapter "Cash Basis IPSAS: Financial Reporting under the Cash Basis of Accounting".

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PILOT AN INNOVATIVE APPROACH TO ADAPTATION IN TOBAGO PROJECT

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 15 DECEMBER 2015 TO 15 JUNE 2018
(Expressed in United States Dollars)
(Continued)

2. Significant accounting policies (continued)

a) Basis of accounting (continued)

ii) Monetary unit

The project accounting records may be prepared in the currency in which the Foundation maintains its accounting records. However, for presentation purposes to the IDB, the financial statements was converted to the financing currency, United States dollars.

The exchange rate gain or loss that results from a difference in the exchange rate when the funds are received, versus when they are converted to local currency, to make payments for eligible expenses is accounted for as an exchange rate differential charged to other sources.

b) Cash and cash equivalents

Cash and cash equivalents are defined as cash on hand and deposits held at call with banks with maturities less than 3 months.

c) Foreign currency translation

These financial statements are presented in United States dollars, which is the functional and presentation currency. Transactions in foreign currencies are initially recorded in the functional currency at the rate ruling at the date of the transaction.

3. Available cash balance

The available cash balance as at 15 June 2018 for the Project was nil.

Cash received was allocated as follows:

	\$
Amounts received by The Cropper Foundation (Note 8)	363,000
Direct payments made by Inter-American Development Bank (Note 8)	<u>166,574</u>
	<u>529,574</u>

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD 15 DECEMBER 2015 TO 15 JUNE 2018

(Expressed in United States Dollars)

(Continued)

4. Advances pending justification

As of 15 June 2018, the amount remaining to be justified to the IDB amounted to \$3,947. However, this sum differs from the amount of \$29,373 appearing in IDB records as a final Advance of Funds, in the sum of \$25,426 disbursed by the IDB on 15 June 2018 which was not credited to the Project's bank account until 18 June 2018. Please refer to Note 10 for further details.

5. Local counterpart funds

The Cropper Foundation as the executing agency committed to contributing a sum of \$137,000. As of 15 June 2018, the Foundation has contributed the sum of \$95,859 which equates to 69.9% of the total committed.

6. Procurement of goods and services

The selection and contracting of consultants was carried out in accordance with the provisions of the IDB's Procurement Policies and the Consultant Policies, GN-2349-9 and GN-2350-9, approved on 19 April 2011.

Except as otherwise requested by the IDB, contracts for the procurement of works, goods, consulting and other services shall be subject to *ex poste* review and supervision in accordance with the aforementioned policies.

7. Investment categories

a) Piloting of an underwater installation for adaptation

This component will finance:

- (i) The final identification of the project site, based on environmental and aesthetic assessment of at least 3 potential project sites in Tobago, that will be evaluated in terms of their environmental capacity to support the establishment of the water park as well as their appropriateness from an attraction and business point of view;
- (ii) An Environmental and Social Management Plan for the selected project site;
- (iii) A Management Plan for the pilot attraction;
- (iv) The production and deployment of two pilot sculptures.

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NOTES TO THE FINANCIAL STATEMENTS

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(Expressed in United States Dollars)

(Continued)

7. Investment categories

a) Piloting of an underwater installation for adaptation (continued)

All of these activities will generate information for the design and management of the bigger art installation in order to select appropriate materials for the marine environment, construction and deployment methodologies/techniques, among others. The expected results of this component are:

- (i) The selection of the final project site as well as appropriate environmental and operations and management plans; and
- (ii) The determination of the feasibility and potential for scaling-up of the pilot activities.

b) Study on water pollution mitigation

This component will finance a feasibility study for water pollution control in the Buccoo Reef area by undertaking a hydrological study, nutrient study, discharge audit/cadaster, treatment level study and a cost study. The result of this component is the assessment of current pollution levels and the identification of interventions and infrastructure needs that could be implemented to improve water quality in Buccoo Reef.

c) Market, feasibility and communications and marketing

This component will finance:

- (i) An economic and financial feasibility study for the larger art installation
- (ii) A market study to identify the optimal financial conditions for the success of the attraction, such as willingness of visitors and private stakeholders to respectively visit the new attraction and include it in the current tourist supply portfolio, forecast of annual income, and identify ways to attract sponsors and private sector involvement; and
- (iii) A communications and marketing plan/campaign to determine the best channels and ways (including marketing materials) to promote the attraction to its target audience. As part of the communications plan, an analysis will be conducted to determine tourism, cultural and creative products and services that could complement the park's merchandise.

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(Expressed in United States Dollars)

(Continued)

7. **Investment categories (continued)**

c) **Market, feasibility and communications and marketing (continued)**

The activities under this component will provide inputs to design the “Water Colours Trust Fund” which is of utmost importance for the sustainability of the project. The results of this component are:

- (i) The generation of key information to ensure sound economic and financial basis; and
- (ii) A communications campaign to reach the target audience and promote this unique attraction and the industries around it.

8. **Reconciliation between the statement of cash received and disbursements made and the statement of cumulative investments**

Particulars	\$	\$
Disbursements made as per statement of cash flows (Note 3)		363,000
Add: reconciling items:		
Direct payments (Note 3)	166,574	
Counterpart/in kind	95,859	
Exchange rate difference		
Bank charges		
		<u>262,433</u>
Balance as per statement of cash received and disbursements made		625,433
Balance as per statement of cumulative investments		<u>625,433</u>
Difference		<u>—</u>

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD 15 DECEMBER 2015 TO 15 JUNE 2018

(Expressed in United States Dollars)

(Continued)

9. Reconciliation by investment categories between the Project's records and IDB's records:

Category	Approved amount \$	Project \$	IDB \$	Variance \$
01.01.00 - Final Selection of Project Site	7,000	7,000	7,000	—
01.02.00 - Environmental and Social Management Plan for Project Site	13,000	—	13,000	(13,000)
01.03.00 - Management Plan for Pilot Attraction	20,000	—	20,000	(20,000)
01.04.00 - Production and Deployment of Two Pilot Sculptures	<u>190,000</u>	<u>196,153</u>	<u>190,000</u>	<u>6,153</u>
01.00.00 - Piloting an Underwater Installation for Adaptation	<u>230,000</u>	<u>203,153</u>	<u>230,000</u>	<u>(26,847)</u>
02.01.00 - Feasibility Study for Water Pollution Control	<u>170,000</u>	<u>166,315</u>	<u>166,315</u>	<u>—</u>
02.00.00 - Study on Water Pollution Mitigation	<u>170,000</u>	<u>166,315</u>	<u>166,315</u>	<u>—</u>
03.01.00 - Economic and Financial Feasibility Study	30,000	28,800	30,000	(1,200)
03.02.00 - Market Study	30,000	56,949	30,000	26,949
03.03.00 - Communications and Marketing Plan/Campaign	<u>30,000</u>	<u>—</u>	<u>30,000</u>	<u>(30,000)</u>
03.00.00 - Market, Feasibility and Communications & Marketing	<u>90,000</u>	<u>85,749</u>	<u>90,000</u>	<u>(4,251)</u>
04.01.00 - Project Administration	40,000	74,357	43,259	31,098
04.02.00 - Monitoring and Evaluation	15,000	—	—	—
04.03.00 - Auditing	<u>10,000</u>	<u>—</u>	<u>—</u>	<u>—</u>
04.00.00 - Project Admin, M&E, Audit	<u>65,000</u>	<u>74,357</u>	<u>43,259</u>	<u>31,098</u>
GRAND TOTAL	<u>555,000</u>	<u>529,574</u>	<u>529,574</u>	<u>—</u>

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD 15 DECEMBER 2015 TO 15 JUNE 2018

(Expressed in United States Dollars)

(Continued)

10. Subsequent events

Subsequent to 15 June 2018 and before the date of authorization of these financial statements, the following activities were concluded:

- Receipt of \$25,426 on 18 June 2018, representing the third and final Advance of Funds into the Project's bank account which is committed to the following project closing activities:
 - Commitments totalling \$15,625 for the External Project audit (\$5,625) and Project Evaluation (\$10,000);
 - Repair and maintenance of underwater sculptures, \$6,059; and
 - Construction and deployment of underwater sculptures final payment, \$7,688.

These expenditures will form the final disbursement request to fully justify the resulting outstanding Advance of Funds of \$29,372 that is expected to be submitted to the IDB on or before 31 October 2018.