



**COAST ECONOMIC DEVELOPMENT SOCIETY  
AND COAST CONSERVATION ENDOWMENT FUND FOUNDATION  
FINANCE POLICY**

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**ANNUAL BUDGET**

*Budget Process*

1. The budget process provides:
  - a) A financial plan for the year in line with the strategic plan of Coast Economic Development Society (“CEDS” or the “Society”) and Coast Conservation Endowment Fund Foundation (“CCEFF” or the “Foundation”), jointly referred to as Coast Funds;
  - b) A means for setting priorities and allocating resources; and
  - c) A means for comparison of actual to budget.
2. Investment, Finance and Audit Committee (IFAC) will review the annual budget for presentation and approval by the Board.
3. The annual budget will include both an operating and capital budget. A capital acquisition is an individual asset that has a useful life of more than one year and a cost of \$3,000 or more.
4. The annual budget must comply with the governing documents including CIIA Section 6 which governs operational and administrative costs.
5. The Society’s definition of operational and administrative costs: Costs which contribute to the achievement of the Society’s purpose to support Participating First Nation environmentally sound and sustainable economic development activities.  
The Foundation’s definition of operational and administrative costs: Costs which contribute to the achievement of the Foundation’s purpose to support Participating First Nation conservation initiatives.
6. The Board will approve the annual budget no later than the end of the first quarter of the new fiscal year.
7. During the fiscal year, IFAC may request staff to reforecast the annual budget, incorporating year to date variances between actual and budget. The reallocation of more than \$9,999 between budget line items must be approved by IFAC.
8. During the fiscal year, initiatives and/or costs not included in the annual budget may be identified. IFAC to review costs overruns and the Board to approve requests for increases to approved annual budget.

*Executive Director Authority*

9. The Board authorizes the Executive Director to manage the organization in accordance with the approved annual budget.
10. During the fiscal year, the Executive Director may request an increase to annual budget for initiatives and/or costs not included in the approved annual budget

**FINANCIAL REPORTING**

1. Financial statements will be prepared monthly and approved by the Executive Director.
2. On a quarterly basis, IFAC will review Coast Funds’ financial statements and recommend approval by the Board.
3. Quarterly financial reporting to IFAC and the Board includes:
  - a) Financial statements;
  - b) Summary of financial highlights;
  - c) Capital expenditures; and
  - d) Explanation of material variances between budget and actual.



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**FINANCIAL AND INTERNAL CONTROLS**

*General*

1. Limits of signing authorization for purchases, contracts, cheques, and orders for payment or withdrawal of money, will be determined by the Board.
2. All funds received by Coast Funds will be deposited as expediently as possible.
3. Financial assets will be managed in accordance with the Investment Policy and Guidelines.
4. The Executive Director working with the Director, Finance will ensure reliable accounting and information systems, and internal controls are properly designed, implemented and maintained.
5. Finance and Administration Policies and Operations Manual will be maintained to reflect operating practices and procedures and updated as required.
6. Coast Funds will take reasonable steps to ensure compliance with all laws, permits, regulations, and orders.
7. Coast Funds will comply with the terms of its Funding Agreements, namely the Conservation Investments and Incentives Agreement dated May 2, 2007, and subsequent amendments, and the Performance and Accountability Funding Agreement dated March 30, 2007, and subsequent amendments.
8. Operational and administrative costs will be minimized while meeting operational objectives established by the Board.
9. IFAC will review quarterly compliance report.

*Cheques and Electronic Transfers*

10. The authorized signatories for cheques and electronic transfers are as follows:
  - a) Any 2 of Board Chair, Treasurer, Secretary, Executive Director or Director, Finance.

*Transfers to and from Investment Management Portfolios*

11. The authorized signatories for instructions to our custodian and investment managers are as follows:
  - a) Any 2 of Board Chair, Treasurer, Secretary, Executive Director or Director, Finance.

*Disbursements*

12. An authorized signatory will sign cheques or approve electronic transfers only upon review and approval of the underlying transaction. This will include review of the existence of proper supporting documentation, such as an invoice and evidence of the receipt of the goods and services.
13. In the case of award disbursements, the signatory will review and confirm that all conditions precedent to funding as per the funding agreement have been met.
14. On a quarterly basis, IFAC will review a list of all disbursements in excess of \$9,999. Reporting to include payee, amount, and description.

*Borrowing*

15. Except for company credit cards, borrowing by Coast Funds is prohibited. Individual card limit not to exceed \$10,000 for the Executive Director and the Project and Governance Specialist and \$5,000 for all other Staff.

*Loans to Directors or employees*

16. Loans to Directors and employees are prohibited.



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*Employee Expenses*

17. Employee expenses, either on company credit card or submitted for reimbursement, must include appropriate documentation for all expenditures. The Director, Finance to review and approve all expenses. Director, Finance expenses to be reviewed and approved by the Executive Director.
18. All employee expenses will be also be approved by the Executive Director. Executive Director expenses will be approved by the Treasurer or the Secretary.

**FINANCIAL STATEMENT AUDIT**

1. Coast Funds will have its financial statements audited by an independent external auditor on an annual basis.
2. IFAC will review and recommend the selection of an external auditor to the Board and the Board will recommend the selection of an external audit to the members.
3. The appointment of the external auditor will be approved by the members at Coast Funds' annual general meeting.
4. The responsibility to prepare the annual external financial statements and manage the audit process itself lies with the Executive Director and the Director of Finance.
5. The external auditor will report directly to IFAC. The auditor's report and management letter will be reviewed by IFAC and presented to the Board for approval.
6. The audited financial statements will also be made public and distributed to stakeholders as required by Coast Funds' governing documents.
7. The external auditor may not be hired to perform significant non-auditing services without the prior approval of IFAC. The external auditor will not perform substantial services for any officer or Director personally.

**TAX RETURNS**

1. The Executive Director working with the Director of Finance will ensure that tax payments and other payments or filings required by applicable legislation are filed in a timely and accurate manner, in full compliance with applicable regulatory requirements and law.
2. The Executive Director will approve the annual tax returns and IFAC will review the annual tax filings prior to submission.
3. Annual tax returns will be posted on Coast Funds' website.

**PROCUREMENT**

*General*

1. It is the organization's goal that the procurement process is transparent and equitable, and that fiduciary responsibilities are met. The procurement policy governs expenditures by Coast Funds but does not extend to expenditures by the Participating First Nations from award disbursements.
2. Coast Funds' Codes of Conduct for Directors and Employees address standards for conduct and disclosure for procurement transactions where there is either a real or perceived conflict of interest.
3. When visiting First Nation communities, Coast Funds will maximize local purchases of goods and services, utilizing First Nations goods and services where practical.

*Comparative Pricing*

4. For goods or services less than \$10,000 (measured on an annual basis for the Society and the Foundation combined), staff will regularly obtain comparative pricing.

*Supplier Selection*



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5. For goods or services equal to or greater than \$10,000 (measured on an annual basis or in aggregate for a multi-year contract for the Society and the Foundation combined), the competitive process for supplier selection includes:
  - a) Receipt of a minimum of 2 written quotes;
  - b) Receipt of references and follow up with same for preferred supplier(s);
  - c) Evaluation of suppliers and choice of preferred supplier based on the following considerations:
    - i. Nature of goods and services being procured;
    - ii. Number of potential suppliers;
    - iii. Price;
    - iv. Ability to deliver within required timeframe;
    - v. Past procurement experience with suppliers (if any); and
    - vi. Available information about suppliers, for example references.
  - d) Supplier selection will be approved by the Executive Director and Director of Finance.
  - e) Use of Services or Contractor Agreement with detailed terms of engagement and fee schedule.

IFAC may approve omitting one or more of the above noted steps for supplier selection.

*Supplier Evaluation*

6. For goods or services (measured on an annual basis or in aggregate for a multi-year contract for the Society and Foundation combined) equal to or greater than \$10,000:
  - a) Periodically (but not less than annually), staff to provide a Supplier Evaluation Report to IFAC.
  - b) Evaluation Report to include: Overall rating/ Description/ Recommendation

**RISK MANAGEMENT**

*General*

1. Coast Funds is committed to protecting its human, financial, tangible and intangible assets and resources through the practice of effective risk management. Coast Funds' Board and management are dedicated to safeguarding the safety and dignity of its staff, clients, and anyone who has contact with the organization.

Coast Funds will:

- a) Protect the organization, its Board, and staff from exposure leading to claims of liability;
- b) Ensure that its assets are adequately safeguarded;
- c) Protect intellectual property, information, and files from loss or significant damage; and
- d) Not endanger the organization's public image or credibility, particularly in ways that would hinder its accomplishment of mission, except when necessary to accomplish its mission.

*Insurance*

2. The following insurance policies will be maintained:
  - a) Crime Coverage;
  - b) Commercial General Liability;
  - c) Property; and
  - d) Directors' and Officers' Liability
3. Staff will maintain an inventory of all property and equipment including office equipment, computers, and printers.



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*Risk Management Plan*

4. IFAC working with staff, will recommend an annual risk management plan for Board approval.
5. IFAC will review the risk management plan on a quarterly basis and present material changes to the Board.

*Other*

6. Staff to develop and maintain an emergency response and recovery plan. This plan will establish contingencies and anticipate threats that could harm Coast Funds' personnel, property and records, clientele, and reputation. IFAC is responsible for the periodic review and approval of this plan.

**FOUNDATION ANNUAL AWARD ALLOCATION**

*Policy objectives:*

1. Seek to preserve the original value of the endowment fund capital contribution;
2. Provide stable and certain funding to Participating First Nations (PFNs) to ensure the Foundation can achieve the objective of maintaining a permanent base of jobs; and
3. Maximize annual allocations in order to help both PFNs and the Foundation achieve their conservation objectives as quickly as possible, and to ensure that the Foundation complies with regulatory requirements.

*How Does the Policy Support These Objectives?*

4. Preservation of capital  
When the Foundation incurs capital losses in excess of realized capital gains for the year, future annual net investment income in excess of 5% of the endowment will be used to offset these losses.
5. Stable and certain funding  
The policy establishes a target minimum annual award allocation and a reserve. The target minimum is based on net investment income at 4% of the endowment, or \$2,250,000. When net investment income is less than 4% of the endowment, the reserve will fund the shortfall between actual returns and the 4% target..
6. Maximize annual allocations  
Except for investment income used to fund the reserve and offset capital losses, the annual allocation will be equal to investment income less fees and operating costs.

*Procedures:*

7. The target for a minimum annual award allocation is \$2,250,000.
8. The Foundation will establish and seek to maintain a reserve balance totalling \$4,000,000. The reserve balance is available for drawdown in fiscal years when earnings are less than the minimum annual award allocation (less management fees and administrative and operations costs). In fiscal years when earnings result in an award allocation in excess of the minimum, the reserve balance must be fully recapitalized prior to increasing the annual award allocation.
9. The annual award allocation is not reduced by the amount that current year capital losses exceed current year capital gains.
10. Cumulative prior year capital losses must be offset by earnings in excess of the minimum annual allocation and recapitalization of the reserve balance prior to increasing the annual award allocation in excess of the minimum.
11. In Q1 of each year, the annual award allocation will be calculated using prior year financial statements. The formula to be used is:



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Excess (deficiency) of revenue over expenses (revenue fund)	xxx
Add Award expense (revenue fund)	xxx
Add Capital losses in excess of capital gains	xxx
Add Drawdown on reserve balance	xxx
Less Recapitalization of reserve balance	xxx
Less Earnings to offset cumulative prior year capital losses	<u>xxx</u>
Annual award allocation	<u>xxx</u>

12. Staff to maintain a calculation of Foundation Contribution Income. Periodic reporting, not less than annual, regarding cumulative Foundation Contribution Income and award distributions to be provided to IFAC.
13. The annual award allocation is apportioned in accordance with each Participating First Nation's proportionate allocation in CIIA Schedule G.
14. This policy to be reviewed on an annual basis in Q1 of each fiscal year.
15. This policy is effective June 18, 2019.