

Financial Statements of

**COAST CONSERVATION ENDOWMENT
FUND FOUNDATION**

And Independent Auditor's Report thereon

Year ended December 31, 2022



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Coast Conservation Endowment Fund Foundation

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of Coast Conservation Endowment Fund Foundation (the "Foundation"), which comprise:

- the statement of financial position as at December 31, 2022
- the statement of operations and changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as at December 31, 2022, and its results of operations, its changes in net assets and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "**Auditor's Responsibilities for the Audit of the Financial Statements**" section of our auditor's report.

We are independent of the Foundation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Other Information

Management is responsible for the other information. Other information comprises the information, other than the financial statements and the auditor's report thereon, included in the 2022 Annual Report.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information, other than the financial statements and the auditor's report thereon, included in the 2022 Annual Report as at the date of this auditor's report.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, 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.

In preparing the financial statements, management is responsible for assessing the Foundation's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Foundation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Foundation's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether 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 Canadian generally accepted auditing standards 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 the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism 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 Foundation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Foundation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Foundation to cease to continue as a going concern.
- 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.
- Communicate with those charged with governance 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.

Report on other Legal and Regulatory Requirements

As required by the Societies Act (British Columbia), we report that, in our opinion, the accounting policies applied in preparing and presenting the financial statements in accordance with Canadian accounting standards for not-for-profit organizations have been applied on a basis consistent with that of the preceding year.



Chartered Professional Accountants

Vancouver, Canada
April 25, 2023

COAST CONSERVATION ENDOWMENT FUND FOUNDATION

Statement of Financial Position

December 31, 2022

	2022	2021
Assets		
Current assets:		
Cash and cash equivalents	\$ 2,309,920	\$ 2,313,305
Prepaid expenses	11,253	13,552
Government and other receivables	40,397	36,099
Short-term investments (note 3)	1,524,030	201,397
	3,885,600	2,564,353
Tangible capital assets (note 4)	43,696	49,466
Investments (note 3)	91,252,627	96,375,592
	\$ 95,181,923	\$ 98,989,411

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities	\$ 81,715	\$ 93,214
Deferred contributions (note 5)	1,018,657	642,982
Deferred lease inducement (note 6)	7,350	7,350
Due to the Society (note 7)	862,043	219,018
Accrued project funding distribution	1,129,432	2,073,216
	3,099,197	3,035,780
Long-term liabilities:		
Deferred lease inducement (note 6)	13,475	20,825
	3,112,672	3,056,605
Net assets:		
General	134,956	122,009
Externally restricted:		
Revenue fund (note 12)	32,193,963	38,145,199
Regional conservation planning fund	159,210	159,210
Founding endowment fund	58,246,077	56,275,244
Stewardship endowment fund	1,335,045	1,231,144
	92,069,251	95,932,806
Commitments (note 9)		
Funds held in trust (note 14)		
Subsequent event (note 15)		
	\$ 95,181,923	\$ 98,989,411


See accompanying notes to financial statements.

Approved on behalf of the Board:



Dallas Smith

Director



Chris Trumphy

Director

COAST CONSERVATION ENDOWMENT FUND FOUNDATION

Statement of Operations and Changes in Net Assets

Year ended December 31, 2022

	Unrestricted	Externally Restricted					
	General	Revenue fund	Regional conservation planning fund	Founding endowment fund	Stewardship endowment fund	2022	2021
Revenue:							
Donations	\$ 12,947	\$ -	\$ -	\$ -	\$ 127,500	\$ 140,447	\$ 701,741
Grants (note 5)	1,741,241	-	-	-	-	1,741,241	514,273
Net investment income (note 8)	-	(1,290,240)	-	-	-	(1,290,240)	11,686,898
	1,754,188	(1,290,240)	-	-	127,500	591,448	12,902,912
Expenses:							
Administration	54,981	13,037	-	-	-	68,018	68,025
Projects	-	2,403,260	-	-	-	2,403,260	3,723,501
Communications	63,968	8,581	-	-	-	72,549	48,293
Cost sharing with the Society (note 7)	124,931	98,664	-	-	-	223,595	150,833
Facilities and equipment	63,078	155,145	-	-	-	218,223	164,006
Personnel	543,159	-	-	-	-	543,159	222,869
Professional fees	891,124	35,075	-	-	-	926,199	179,324
	1,741,241	2,713,762	-	-	-	4,455,003	4,556,851
Excess (deficiency) of revenue over expenses	12,947	(4,004,002)	-	-	127,500	(3,863,555)	8,346,061
Net assets, beginning of year	122,009	38,145,199	159,210	56,275,244	1,231,144	95,932,806	87,586,745
Interfund transfers (note 12)	-	(1,947,234)	-	1,970,833	(23,599)	-	-
Net assets, end of year	\$ 134,956	\$ 32,193,963	\$ 159,210	\$ 58,246,077	\$ 1,335,045	\$ 92,069,251	\$ 95,932,806

See accompanying notes to financial statements.

COAST CONSERVATION ENDOWMENT FUND FOUNDATION

Statement of Cash Flows

Year ended December 31, 2022

	2022	2021
Cash provided by (used in):		
Operating:		
Excess (deficiency) of revenue over expenses	\$ (3,863,555)	\$ 8,346,061
Items not involving cash:		
Amortization of tangible capital assets	13,834	8,849
Amortization of lease inducement	(7,350)	(6,738)
Fair value adjustment on investments	5,907,090	(8,828,732)
Changes in non-cash operating working capital:		
Prepaid expenses	2,299	1,576
Government and other receivables	(4,298)	(17,117)
Accounts payable and accrued liabilities	(11,499)	40,520
Deferred contributions	375,675	(369,273)
Deferred lease inducement	-	34,913
Due to the Society	643,025	510,352
Accrued project funding distribution	(943,784)	1,065,713
	2,111,437	786,124
Investing:		
Purchase of investments, net	(2,106,758)	(2,185,351)
Purchase of tangible capital assets	(8,064)	(52,362)
	(2,114,822)	(2,237,713)
Decrease in cash and cash equivalents	(3,385)	(1,451,589)
Cash and cash equivalents, beginning of year	2,313,305	3,764,894
Cash and cash equivalents, end of year	\$ 2,309,920	\$ 2,313,305

See accompanying notes to financial statements.

COAST CONSERVATION ENDOWMENT FUND FOUNDATION

Notes to the Financial Statements

Year ended December 31, 2022

1. Operations:

The Coast Conservation Endowment Fund Foundation (the "Foundation") is incorporated under the *Societies Act* (British Columbia). The Foundation commenced operations in September 2007, with the appointment of the Board of Directors (the "Board").

The Foundation is a registered charity under the *Income Tax Act*. Its purpose is to fund stewardship and resource management initiatives in the central and northern coastal regions of British Columbia and Haida Gwaii in collaboration with First Nations.

2. Significant accounting policies:

(a) Basis of presentation:

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the CPA Canada Handbook.

(b) Fund accounting:

The Foundation follows the restricted fund method of accounting for contributions. For accounting purposes, funds have been established as follows:

(i) General fund:

The general fund is used to manage and report on revenue and expenses related to unrestricted contributions and grants. The fund balance represents net assets that are not subject to externally imposed restrictions.

(ii) Externally restricted funds:

Revenue fund:

These amounts represent income earned on the contributions to the regional conservation planning fund, founding endowment fund and stewardship endowment fund which have been restricted first for the funding of the Foundation's operational and administrative activities. Any remaining balance is restricted for projects for stewardship initiatives connected with the project area.

In 2021, the Foundation's Board approved a policy for the determination of an annual allocation from the revenue fund for First Nation projects (note 12). This policy provides for a reserve to support stable funding during periods when investment income is less than a target minimum.

Regional conservation planning fund:

The amounts in this fund are restricted by the donors to fund projects for regionally focused conservation planning projects.

COAST CONSERVATION ENDOWMENT FUND FOUNDATION

Notes to the Financial Statements (continued)

Year ended December 31, 2022

2. Significant accounting policies (continued):

(b) Fund accounting (continued):

Founding endowment fund:

The founding endowment fund represents contributions received by the Foundation from private funders in 2007, the principal of which is to be maintained on a permanent basis. Investment income earned on the endowment fund is externally restricted, reported in the revenue fund and used to fund operational and administrative costs and approved conservation initiatives.

Stewardship endowment fund:

This fund represents contributions received by the Foundation, the principal of which is to be maintained on a permanent basis. Investment income earned on the endowment fund is externally restricted, reported in the revenue fund, and used to fund operational and administrative costs and approved stewardship initiatives.

(c) Revenue recognition:

Restricted contributions:

Restricted contributions are recognized as revenue in the appropriate restricted fund when they are receivable by the Foundation if the amount to be received can be reasonably estimated and collection is reasonably assured. Restricted contributions that have no specific restricted fund are recorded as deferred contributions in the general fund and recognized as revenue in the general fund in the year in which the related expenses are incurred.

Investment income:

Investment income on the Foundation's endowments and restricted contributions is recorded when earned.

Unrestricted contributions:

Unrestricted contributions are recognized as revenue in the general fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

(d) Cash and cash equivalents:

Cash and cash equivalents include fixed income investments with maturity dates within 90 days of acquisition.

(e) Accrued project funding distribution:

Accrued project funding distribution is recorded upon execution of a funding agreement, when the amount payable can be reasonably estimated, and disbursements reasonably assured. Disbursement of project funding to First Nations may be conditional on the recipient meeting certain criteria and providing certain supporting information.

COAST CONSERVATION ENDOWMENT FUND FOUNDATION

Notes to the Financial Statements (continued)

Year ended December 31, 2022

2. Significant accounting policies (continued):

(f) Tangible capital assets:

Tangible capital assets are recorded at cost and are amortized over the estimated useful lives of assets as follows:

Asset	Basis	Rate
Equipment	Declining balance	30%
Leasehold improvements	Straight-line	Over 5-year lease term

(g) Lease inducements:

Deferred lease inducements include financial inducements for tenant improvements to the office space. Amortization of deferred lease inducements is recognized on a straight-line basis as a reduction of facilities and equipment expense over the lease term.

(h) Use of estimates:

The preparation of the financial statements 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 amount of revenue and expenses during the year. Actual results could differ from those estimates.

(i) Financial instruments:

The Foundation's financial instruments include cash and cash equivalents, government and other receivables, amounts due to the Society, investments, accounts payable and accrued liabilities and accrued project funding distribution. Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. Investments are recorded at the trade date and measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost.

Transaction costs incurred on the acquisition of the financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Foundation determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Foundation expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

COAST CONSERVATION ENDOWMENT FUND FOUNDATION

Notes to the Financial Statements (continued)

Year ended December 31, 2022

2. Significant accounting policies (continued):

(j) Foreign currency translation:

Monetary assets and liabilities denominated in foreign currencies, and that have not been hedged, are translated into Canadian dollars at the rates of exchange in effect at the statement of financial position date. Other assets, liabilities and items affecting earnings are translated into Canadian dollars at the rates of exchange in effect at the date of the transaction. Gains or losses arising from these foreign currency transactions are included in the determination of excess of revenues over expenses.

3. Investments:

The table below summarizes the fair value of the investments held by the Foundation.

	2022	2021
Investments at fair value:		
Fixed income securities	\$ 9,893,340	\$ 10,621,665
Canadian equities	5,256,423	10,426,262
Global equities	25,096,553	29,422,366
Canadian pooled mortgage fund	11,624,300	11,535,307
Canadian pooled real estate fund	18,937,171	18,506,777
Infrastructure	16,748,999	16,064,612
Private debt	5,219,871	-
	92,776,657	96,576,989
Less short-term fixed income securities	1,524,030	201,397
Total non-current investments	\$ 91,252,627	\$ 96,375,592

Fixed income securities consist of bonds maturing between 2023 and 2051 (2021 - 2022 and 2051) at rates varying between 0.0% and 3.5% (2021 - 0.0% and 4.8%). Infrastructure investments are held in Axiom Infrastructure NA Limited Partnership and private debt investments are held in Fiera Comox NA Limited Partnership. Investments with maturity dates within the next fiscal year are presented as short-term investments on the statement of financial position.

4. Tangible capital assets:

			2022	2021
	Cost	Accumulated amortization	Net book value	Net book value
Equipment	\$ 17,518	\$ 7,057	\$ 10,461	\$ 5,152
Leasehold improvements	49,564	16,329	33,235	44,314
	\$ 67,082	\$ 23,386	\$ 43,696	\$ 49,466

COAST CONSERVATION ENDOWMENT FUND FOUNDATION

Notes to the Financial Statements (continued)

Year ended December 31, 2022

5. Deferred contributions:

The Foundation received grant funding from various funders to further support stewardship efforts in the Great Bear Rainforest and Haida Gwaii. Deferred contributions consist of grant funding restricted for eligible project expenditures.

	2022	2021
Opening balance	\$ 642,982	\$ 1,012,255
Contributions received	2,116,916	145,000
Revenue recognized	(1,741,241)	(514,273)
	\$ 1,018,657	\$ 642,982

6. Deferred lease inducement:

The deferred lease inducement represents the reimbursement by the lessor of certain expenditures for leasehold improvements made by the Foundation.

	2022	2021
Opening balance	\$ 28,175	\$ -
Additions	-	34,913
Amortization recorded net of facilities and equipment expense	(7,350)	(6,738)
	\$ 20,825	\$ 28,175
Current portion	\$ 7,350	\$ 7,350
Long-term portion	13,475	20,825
	\$ 20,825	\$ 28,175

7. Related party transactions:

The Foundation is related to the Coast Economic Development Society (the "Society") as all of the directors of the Foundation are also directors of the Society. The Society is a not-for-profit organization incorporated under the *Societies Act* (British Columbia). The purpose of the Society is to fund sustainable economic development initiatives in the central and northern coastal regions of British Columbia and Haida Gwaii in collaboration with First Nations.

COAST CONSERVATION ENDOWMENT FUND FOUNDATION

Notes to the Financial Statements (continued)

Year ended December 31, 2022

7. Related party transactions (continued):

The net assets and results from operations of the Society have not been included in these financial statements. A financial summary of the Society as at and for the year ended December 31, 2022 is as follows:

	2022	2021
Financial position:		
Total assets	\$ 17,564,492	\$ 19,717,573
Total liabilities	3,025,767	3,221,737
Total net assets	\$ 14,538,725	\$ 16,495,836
Results of operations:		
Total revenue	\$ 106,422	\$ 178,500
Total expenses	2,063,533	1,861,623
Deficiency of revenue over expenses	\$ (1,957,111)	\$ (1,683,123)
Cash flows:		
Operating activities	\$ (2,509,358)	\$ (5,487,949)
Investing activities	1,692,698	1,759,889

The Foundation and Society share operating resources under a cost sharing agreement.

In accordance with the cost sharing agreement, during the year ended December 31, 2022, the Foundation charged the Society \$141,395 (2021 - \$149,646), and the Society charged the Foundation \$364,990 (2021 - \$300,479) for their respective share of the expenses incurred by each of the two parties. Cost sharing with the Society of \$223,595 (2021 - \$150,833) recorded on the statement of operations excludes indirect taxes paid of \$7,645 (2021 - \$6,867) on a portion of services billed by the Society to the Foundation.

As at December 31, 2022, the balance owed by the Foundation to the Society was \$862,043 (2021 - \$219,018). The balance is unsecured, non-interest bearing and has no specific terms of repayment.

COAST CONSERVATION ENDOWMENT FUND FOUNDATION

Notes to the Financial Statements (continued)

Year ended December 31, 2022

7. Related party transactions (continued):

Cost sharing with the Society is comprised of the following:

	2022	2021
Expenses charged by the Society:		
Administration	\$ 24,898	\$ 9,119
Board	14,621	4,567
Communications	7,837	7,212
Facilities and equipment	1,496	2,375
Personnel	306,597	256,276
Professional fees	9,541	20,930
	364,990	300,479
Less: expenses recovered from the Society:		
Administration	(9,103)	(15,750)
Facilities and equipment	(117,397)	(118,063)
Insurance	(11,174)	(11,208)
Professional fees	(3,721)	(4,625)
	(141,395)	(149,646)
	\$ 223,595	\$ 150,833

8. Net investment income:

	2022	2021
Interest income	\$ 862,826	\$ 687,840
Dividend income	631,285	549,511
Realized gains on sale of investments	4,125,955	2,380,490
Change in fair value adjustments on investments	(5,907,090)	8,828,732
	(287,024)	12,446,573
Less investment manager and custodian fees	1,003,216	759,675
	\$ (1,290,240)	\$ 11,686,898

9. Commitments:

The Foundation entered into an operating lease agreement with respect to the Foundation and Society's premises. The minimum annual payments under the lease are as follows:

2023	\$ 66,808
2024	70,387
2025	70,387
2026	5,866
	\$ 213,448

COAST CONSERVATION ENDOWMENT FUND FOUNDATION

Notes to the Financial Statements (continued)

Year ended December 31, 2022

10. Financial instruments:

(a) Market risk:

Market risk is the risk that the fair value of the Foundation's financial instruments will fluctuate as a result of changes in market prices. Market risk is comprised of currency risk, interest rate risk and other price risk. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing return. This risk is managed by the Foundation through closely monitoring its investments, employing investment diversification and maintaining the instruments within the Foundation's Investment Policy. All securities present a risk of loss equivalent to their fair values.

(i) Currency risk:

Currency risk is the risk that the fair value of the Foundation's financial instruments will fluctuate due to changes in foreign exchange rates. The Foundation is directly exposed to currency risk on its investments in global equity securities and private debt. The Foundation does not enter into forward contracts to mitigate this risk.

(ii) Interest rate risk:

Interest rate risk is the risk that the value of and cash flows from interest-bearing financial instruments will fluctuate due to changes in the levels of market interest rates. The Foundation's interest rate risk is mostly related to investments in fixed income instruments, private debt, and the Canadian pooled mortgage fund. The Foundation's interest rate risk is managed by the Foundation with an investment manager through construction of a diversified portfolio and monitoring of the investments by management.

(iii) Other price risk:

Other price risk is the risk that the fair value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from currency risk or interest rate risk) whether they are caused by factors specific to an individual investment, its issuer or by factors affecting all instruments traded in the market.

(b) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Foundation's cash, cash equivalents and investments are held with reputable institutions and its investments are diversified within various asset pools. In 2022, the Foundation added private debt investments to its portfolio, increasing the portfolio's credit risk profile. The Foundation is not exposed to any significant credit risk other than through its private debt investments.

(c) Liquidity risk:

Liquidity risk is the risk that the Foundation will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Foundation manages its liquidity risk by monitoring its operating requirements. The Foundation prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

COAST CONSERVATION ENDOWMENT FUND FOUNDATION

Notes to the Financial Statements (continued)

Year ended December 31, 2022

11. Capital management:

The Foundation defines capital to be net assets.

The primary objective of the Foundation's capital management is to generate investment income to fund projects to First Nations for stewardship initiatives and operating expenses of the Foundation. This objective is balanced with the need to preserve capital.

The Foundation manages capital in accordance with the Conservation Investments and Incentives Agreement which requires the use of socially responsible investment screens and the utilization of professional investment management services.

As of December 31, 2022, the Foundation has complied with all externally imposed capital restrictions.

12. Revenue fund:

As described in note 2(b)(ii), the revenue fund is restricted first for the funding of the Foundation's operational and administrative activities. Any remaining balance is restricted for projects for stewardship initiatives connected with the project area.

As at December 31, 2022, the balance in the revenue fund is \$32,193,963 (2021 - \$38,145,199). Of this balance, \$16,991,133 (2021 - \$16,314,249) is currently available to be drawn down for project distribution. The remaining balance of \$15,202,830 (2021 - \$21,830,950) has been set aside for future distributions and is comprised of a reserve amount of \$4,067,932 (2021 - \$4,000,000) and an additional retention of \$11,134,896 (2021 - \$17,830,950). The reserve has been established to meet the Board's policy of ensuring that there is a balance available to be drawn down for project distribution when investment income is less than a target minimum in a future year. Stewardship endowment fund contributions have a reserve requirement of 5% upon contributions transferred to the revenue fund. The additional retention is based on the Foundation's financial results for the year and has been calculated in accordance with the Foundation's Finance Policy. This retention amount is established for the purpose of minimizing year-over-year variability in funds available to be drawn down for future project distributions.

In 2021, the Foundation's private funders amended the Conservation Investments and Incentives Agreement, the founding document of the Foundation. These amendments included direction for the Board to maintain the founding endowment's purchasing power in perpetuity by growing the endowment by the rate of inflation as defined by the British Columbia Consumer Price Index ("BC CPI") where sufficient investment earnings are available. Subsequently, the Board revised the Foundation's Finance Policy to include the maintenance of the Foundation's endowments' purchasing power by the BC CPI where sufficient investment earnings are available.

In 2022, the Board approved the transfer of \$2,015,166 (2021 - nil) from the revenue fund, which is comprised of \$1,970,833 to the founding endowment fund and \$44,333 to the stewardship endowment fund. This transfer was made to maintain the Foundation's endowments purchasing power.

The stewardship endowment fund includes annual allocations to the revenue fund in the amount of 5% of the total fund balance at year-end. In 2022, \$67,932 was allocated to the revenue fund to establish the fund's reserve.

COAST CONSERVATION ENDOWMENT FUND FOUNDATION

Notes to the Financial Statements (continued)

Year ended December 31, 2022

13. Disclosure of director, employee and contractor remuneration:

For the year ended December 31, 2022, no individual employee or contractor for services received total annual remuneration of \$75,000 or greater.

While the bylaws of the Foundation allow for director remunerations, no remuneration was paid to any directors of the Foundation during the year.

14. Funds held in trust:

First Nations from coastal British Columbia are currently engaged with the federal and provincial governments through regional marine conservation planning and conservation initiatives. The Coast Solutions Task Group (the "CSTG") was established to draft a regional marine finance strategy. The CSTG has designated the Foundation to hold early financial commitments from donors in escrow in the amount of \$13,600,000 until the closing conditions in the agreements have been satisfied. The funds, which are not recorded in the Foundation's financial statements, are currently being held in a bank account and are earning interest. The closing conditions in the agreements are expected to be completed on or before September 1, 2025.

15. Subsequent event:

Subsequent to year-end, the Province of British Columbia provided a grant totaling \$60,000,000 to the Foundation related to the funds held in trust.