

Financial Statements of

**COAST CONSERVATION ENDOWMENT  
FUND FOUNDATION**

And Independent Auditor's Report thereon

Year ended December 31, 2023



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## Independent Auditor's Report

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To the Directors of Coast Conservation Endowment Fund Foundation

### 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, 2023, the Statements of Operations and Changes in Net Assets and Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as at December 31, 2023, and its results of operations, changes in net assets, and cash flows for the year then ended in accordance with Canadian 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 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 Matter

The financial statements for the year ended December 31, 2022 were audited by another auditor who expressed an unmodified opinion on those financial statements on April 25, 2023.

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

Management is responsible for the preparation and fair presentation of these 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 these 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.

We 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 principles in Canadian accounting standards for not-for-profit organizations have been applied on a basis consistent with that of the preceding year.

# COAST CONSERVATION ENDOWMENT FUND FOUNDATION

## Statement of Financial Position

December 31, 2023

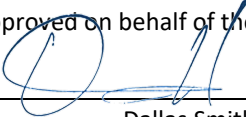
	2023	2022
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 3,528,454	\$ 2,309,920
Great Bear Sea funds held (note 15)	63,210,174	-
Short-term investments (note 3)	-	1,524,030
Prepaid expenses	9,578	11,253
Investment income receivable	104,618	-
Government and other receivables	34,175	40,397
	<u>66,886,999</u>	<u>3,885,600</u>
Tangible capital assets (note 4)	32,249	43,696
Investments (note 3)	94,386,282	91,252,627
	<u>\$ 161,305,530</u>	<u>\$ 95,181,923</u>

## Liabilities and Net Assets

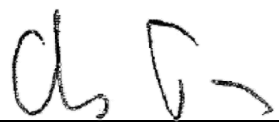
Current liabilities:		
Accounts payable and accrued liabilities	\$ 97,731	\$ 81,715
Accrued projects distributions	793,260	1,129,432
Great Bear Sea funds (note 15)	63,210,174	-
Due to Society (note 7)	598,052	862,043
Deferred Lease (note 6)	7,350	7,350
Deferred Contributions (note 5)	1,665,353	1,018,657
	<u>66,371,920</u>	<u>3,099,197</u>
Long-term liabilities:		
Deferred lease inducement (note 6)	6,125	13,475
	<u>66,378,045</u>	<u>3,112,672</u>
Net assets:		
Unrestricted	147,452	134,956
Externally restricted:		
Revenue fund (note 12)	23,913,284	32,193,963
Regional conservation planning fund	159,210	159,210
Founding endowment fund	69,058,030	58,246,077
Stewardship endowment fund	1,649,509	1,335,045
	<u>94,927,485</u>	<u>92,069,251</u>
Commitments (note 9)		
Funds held in trust (note 14)		
	<u>\$ 161,305,530</u>	<u>\$ 95,181,923</u>

See accompanying notes to financial statements.

Approved on behalf of the Board:

  
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Dallas Smith

Director

  
\_\_\_\_\_  
Chris Trumpy

Director

# COAST CONSERVATION ENDOWMENT FUND FOUNDATION

## Statement of Operations and Changes in Net Assets

Year ended December 31, 2023

	Unrestricted		Externally Restricted			2023	2022
	General	Revenue fund	Regional conservation planning fund	Founding endowment fund	Stewardship endowment fund		
<b>Revenue:</b>							
Donations	\$ 22,496	\$ -	\$ -	\$ -	\$ 75,000	\$ 97,496	\$ 140,447
Grants (note 5)	2,403,849	-	-	-	-	2,403,849	1,741,241
Net investment income (note 8)	-	5,038,585	-	-	-	5,038,585	(1,290,240)
	2,426,345	5,038,585	-	-	75,000	7,539,930	591,448
<b>Expenses:</b>							
Administration	293,408	44,787	-	-	-	338,195	68,018
Projects	-	1,961,934	-	-	-	1,961,934	2,403,260
Communications	138,042	8,706	-	-	-	146,748	72,549
Cost sharing with the Society (note 7)	175,821	28,782	-	-	-	204,603	223,595
Facilities and equipment	34,869	158,450	-	-	-	193,319	218,223
Personnel	746,770	-	-	-	-	746,770	543,159
Professional fees	1,024,939	65,188	-	-	-	1,090,127	926,199
	2,413,849	2,267,847	-	-	-	4,681,696	4,455,003
Excess (deficiency) of revenue over expenses	12,496	2,770,738	-	-	75,000	2,858,234	(3,863,555)
Net assets, beginning of year	134,956	32,193,963	159,210	58,246,077	1,335,045	92,069,251	95,932,806
Interfund transfers (note 12)	-	(11,051,417)	-	10,811,953	239,464	-	-
Net assets, end of year	\$ 147,452	\$ 23,913,284	\$159,210	\$ 69,058,030	\$1,649,509	\$ 94,927,485	\$ 92,069,251

See accompanying notes to financial statements.

# COAST CONSERVATION ENDOWMENT FUND FOUNDATION

## Statement of Cash Flows

Year ended December 31, 2023

	2023	2022
Cash provided by (used in):		
Operating:		
Excess (deficiency) of revenue over expenses	\$ 2,858,234	\$ (3,863,555)
Items not involving cash:		
Amortization of tangible capital assets	11,447	13,834
Amortization of lease inducement	(7,350)	(7,350)
Fair value adjustment on investments	11,766,906	5,907,090
Changes in non-cash operating working capital:		
Prepaid expenses	1,675	2,299
Investment income receivable	(104,618)	-
Government and other receivables	6,222	(4,298)
Accounts payable and accrued liabilities	16,016	(11,499)
Deferred revenue	646,696	375,675
Due to the Society	(263,991)	643,025
Accrued project funding distribution	(336,172)	(943,784)
	14,595,065	2,111,437
Investing:		
Purchase of investments, net	(13,376,531)	(2,106,758)
Purchase of tangible capital assets	-	(8,064)
	(13,376,531)	(2,114,822)
Decrease in cash and cash equivalents	1,218,534	(3,385)
Cash and cash equivalents, beginning of year	2,309,920	2,313,305
Cash and cash equivalents, end of year	\$ 3,528,454	\$ 2,309,920

See accompanying notes to financial statements.

# COAST CONSERVATION ENDOWMENT FUND FOUNDATION

Notes to the Financial Statements

Year ended December 31, 2023

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## 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 and any externally restricted contributions where there is no appropriate restricted fund.

#### (ii) Externally restricted funds:

##### *Revenue fund:*

Externally restricted investment income earned on the amounts held in the regional conservation planning fund, founding endowment fund and stewardship endowment fund are recorded in the revenue fund. These amounts are restricted for projects for stewardship initiatives connected with the project area, operational and administrative activities associated with these initiatives, and for transfers to the endowments to maintaining their purchasing power. The projects and related administrative costs are recorded as expenses of the fund.

##### *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, 2023

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## 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.



# COAST CONSERVATION ENDOWMENT FUND FOUNDATION

Notes to the Financial Statements (continued)

Year ended December 31, 2023

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## 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, including the fair market value of certain investments, 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. Arm's length 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. All investments, including investments in partnership units and pooled funds are recorded at the trade date and subsequently measured at fair value. All other financial instruments are subsequently reported at cost or amortized cost.

Related party financial instruments quoted in an active market or those with observable inputs significant to the determination of fair value or derivative contracts are recorded at fair value at initial recognition. All other related party financial instruments are recorded at cost at initial recognition.

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.

# COAST CONSERVATION ENDOWMENT FUND FOUNDATION

Notes to the Financial Statements (continued)

Year ended December 31, 2023

## 2. Significant accounting policies (continued):

### (i) Financial instruments (continued):

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.

### (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.*

	2023	2022
Investments at fair value:		
Fixed income securities	\$ 4,779,541	\$ 9,893,340
Canadian equities	-	5,256,423
Global equities	8,684,953	25,096,553
Canadian pooled mortgage fund	4,715,176	11,624,300
Canadian pooled real estate fund	15,239,871	18,937,171
Infrastructure	34,315,027	16,748,999
Private debt	16,876,714	5,219,871
Private equity	9,775,000	-
	94,386,282	92,776,657
Less short-term fixed income securities	-	1,524,030
Total non-current investments	\$ 94,386,282	\$ 91,252,627

Fixed income securities consist of bonds maturing between 2025 and 2052 (2022 - 2023 and 2051) at rates varying between 0.0% and 5.7% (2022 - 0.0% and 3.5%).

# COAST CONSERVATION ENDOWMENT FUND FOUNDATION

Notes to the Financial Statements (continued)

Year ended December 31, 2023

### 3. Investments (continued):

Infrastructure investments are held in Axiom Infrastructure NA Limited Partnership and CBRE Caledon Global Infrastructure Fund Holdings I, Limited Partnership. Under the terms of investment, units held in Axiom Infrastructure NA Limited Partnership are subject to a penalty of 7.5% in year 1, with a 1.5% reduction for every subsequent year up to year 5 if tendered for repurchase. CBRE units held cannot be tendered for repurchase until 36 months following the date of acquisition.

Private debt investments are held in Fiera Comox NA Limited Partnership. Under the terms of investment, units held cannot be tendered for repurchase until 24 months following the date of acquisition of the units.

Private equity is made up of units held in Partners Group Private Equity II (TEI) - Class A, Limited Liability Corporation, which is comprised of pooled private equity investments held in Partners Group Private Equity II (TEI) – Class A, Limited Liability Corporation. Under the terms of investment, units held cannot be tendered for repurchase until 36 months following the date of acquisition of the units.

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:

			2023	2022
	Cost	Accumulated amortization	Net book value	Net book value
Equipment	\$ 17,518	\$ 10,196	\$ 7,322	\$ 10,461
Leasehold improvements	49,564	24,637	24,927	33,235
	\$ 67,082	\$ 34,833	\$ 32,249	\$ 43,696

### 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.

		2023	2022
Opening balance	\$	1,018,657	\$ 642,982
Contributions received		2,947,941	2,116,916
Revenue recognized		(2,301,245)	(1,741,241)
	\$	1,665,353	\$ 1,018,657

# COAST CONSERVATION ENDOWMENT FUND FOUNDATION

Notes to the Financial Statements (continued)

Year ended December 31, 2023

## 6. Deferred lease inducement:

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

	2023	2022
Opening balance	\$ 20,825	\$ 28,175
Amortization recorded net of facilities and equipment expense	(7,350)	(7,350)
	\$ 13,475	\$ 20,825
Current portion	\$ 7,350	\$ 7,350
Long-term portion	6,125	13,475
	\$ 13,475	\$ 20,825

## 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.

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, 2023 is as follows:

	2023	2022
Financial position:		
Total assets	\$ 13,856,074	\$ 17,564,492
Total liabilities	1,527,955	3,025,767
Total net assets	\$ 12,328,119	\$ 14,538,725
Results of operations:		
Total revenue	\$ 812,229	\$ 106,422
Total expenses	3,022,835	2,063,533
Deficiency of revenue over expenses	\$ (2,210,606)	\$ (1,957,111)
Cash flows:		
Operating activities	\$ (3,447,270)	\$ (2,509,358)
Investing activities	8,740,986	1,692,698

# COAST CONSERVATION ENDOWMENT FUND FOUNDATION

Notes to the Financial Statements (continued)

Year ended December 31, 2023

## 7. Related party transactions (continued):

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, 2023, the Foundation charged the Society \$161,703 (2022 - \$141,395), and the Society charged the Foundation \$366,306 (2022 - \$364,990) for their respective share of the expenses incurred by each of the two parties. Cost sharing with the Society of \$204,603 (2022 - \$223,595) recorded on the statement of operations excludes indirect taxes paid of \$7,790 (2022 - \$7,645) on a portion of services billed by the Society to the Foundation.

As at December 31, 2023, the balance owed by the Foundation to the Society was \$598,052 (2022 - \$862,043). The balance is unsecured, non-interest bearing and has no specific terms of repayment.

Cost sharing with the Society is comprised of the following:

	2023	2022
Expenses charged by the Society:		
Administration	\$ 24,293	\$ 24,898
Board	8,351	14,621
Communications	4,770	7,837
Facilities and equipment	250	1,496
Personnel	313,692	306,597
Professional fees	14,950	9,541
	<u>366,306</u>	<u>364,990</u>
Less: expenses recovered from the Society:		
Administration	(15,619)	(9,103)
Facilities and equipment	(124,059)	(117,397)
Insurance	(11,662)	(11,174)
Professional fees	(10,363)	(3,721)
	<u>(161,703)</u>	<u>(141,395)</u>
	<u>\$ 204,603</u>	<u>\$ 223,595</u>

## 8. Net investment income:

	2023	2022
Interest income	\$ 933,441	\$ 862,826
Dividend income	958,799	631,285
Realized gains on sale of investments	15,908,443	4,125,955
Change in fair value adjustments on investments	(11,766,906)	(5,907,090)
	<u>6,033,777</u>	<u>(287,024)</u>
Less investment manager and custodian fees	995,192	1,003,216
	<u>\$ 5,038,585</u>	<u>\$ (1,290,240)</u>

# COAST CONSERVATION ENDOWMENT FUND FOUNDATION

Notes to the Financial Statements (continued)

Year ended December 31, 2023

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## 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:

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2024	70,387
2025	70,387
2026	5,866
	<hr/>
	\$ 146,640

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The Foundation has committed to investing \$6,269,927 in future investments purchases within existing investment managers.

## 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 \$4,898,245 USD (2022 \$10,876,934 USD), infrastructure \$9,618,982 USD (2022 \$nil), private equity \$7,390,746 USD (2022 \$nil), and private debt \$12,873,663 USD (2022- \$3,852,445 USD). The Foundation enters 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.

# COAST CONSERVATION ENDOWMENT FUND FOUNDATION

Notes to the Financial Statements (continued)

Year ended December 31, 2023

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## 10. Financial instruments (continued):

### (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.

The Foundation is exposed to other price risk to its investment to CBRE, Fiera Comox and Partners Group investments as the term of the investments requires the Foundation to hold the investments for the period of 24 months for Fiera Comox and 36 months for both CBRE and Partners Group, which may impact the fair value of the investments.

### (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. The Foundation is not exposed to any significant credit risk.

### (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. Certain investments held by the Foundation contains provisions that requires investments to be held for a period of time before divestiture as listed in Note 3. 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.

## 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, 2023, the Foundation has complied with all externally imposed capital restrictions.

# COAST CONSERVATION ENDOWMENT FUND FOUNDATION

Notes to the Financial Statements (continued)

Year ended December 31, 2023

## 12. Revenue fund:

Net assets of the revenue fund is comprised of the following amounts:

	2023	2022
Project distribution (i)	\$ 19,812,993	\$ 16,991,133
Reserve (ii)	4,071,682	4,067,932
Retention (iii)	28,609	11,134,898
	<u>\$ 23,913,284</u>	<u>\$ 32,193,963</u>

- (i) Project distribution amounts are available to be drawn down for future project distribution.
- (ii) 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. In 2023, \$3,750 (2022 -\$67,932) was allocated to the revenue fund to establish the fund's reserve.
- (iii) The 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.

The Conservation Investments and Incentives Agreement, the founding document of the Foundation, requires that the Board endeavor 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.

In 2023, the Board approved an interfund transfer of \$11,051,417 (2022 – \$2,015,166) from the retention balance within the revenue fund of which \$10,811,953 was allocated to the founding endowment fund and \$239,464 to the stewardship endowment fund.

## 13. Disclosure of director, employee and contractor remuneration:

For the year ended December 31, 2023, no individual employee or contractor for services received total annual remuneration of \$75,000 or greater. All personnel cost relates to charges from Society. The Foundation does not directly employ individuals.

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



# COAST CONSERVATION ENDOWMENT FUND FOUNDATION

Notes to the Financial Statements (continued)

Year ended December 31, 2023

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## 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. In 2023, \$755,444 was earned in interest. The closing conditions in the agreements are expected to be completed on or before June 30, 2024.

## 15. Great Bear Sea Funds held:

The Foundation received funds from various funders to further support the Great Bear Sea Project Finance for Permanence (PFP). Deferred contributions include a \$60,000,000 grant from the Provincial Government of British Columbia, alongside contributions from various philanthropic donors. These funds are restricted, with any interest income accrued available for use as determined by the CSTG. Interest income earned from the funds is recorded as the deferred Great Bear Sea funds as at December 31, 2023.

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	2023	2022
Opening balance	\$ -	\$ -
Contributions received	60,819,500	-
Interest Earned on Contributions held	2,390,674	-
	<hr/> \$ 63,210,174	<hr/> \$ -

Under the funding terms, the Foundation and CSTG will work together to establish the future use of the funds and distribution strategy as established in the PFP closing agreement (Note 14). The closing conditions in the closing agreement are expected to be completed on or before June 30, 2024. Until such time, the funds have been recorded under the general fund.

As at December 31, 2023, the funds were held in an interest bearing savings account.