

Financial Statements of

**COAST ECONOMIC
DEVELOPMENT SOCIETY**

And Independent Auditor's Report thereon

Year ended December 31, 2023



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Independent Auditor's Report

To the Directors of Coast Economic Development Society

Opinion

We have audited the financial statements of Coast Economic Development Society (the "Society"), 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 Society 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 Society 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 Society'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 Society or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Society'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 Society'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 Society'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 Society 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.

Chartered Professional Accountants

Vancouver, British Columbia
April 25, 2024

COAST ECONOMIC DEVELOPMENT SOCIETY

Statement of Financial Position

December 31, 2023

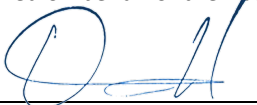
	2023	2022
Assets		
Current assets:		
Cash	\$ 8,513,139	\$ 3,255,423
Interest receivable	32,974	8,859
Short-term investments (note 3)	4,708,540	5,617,761
Due from the Foundation (note 4)	598,052	862,043
Prepaid expenses	3,369	10,479
	<u>13,856,074</u>	<u>9,754,565</u>
Investments (note 3)	-	7,809,927
	<u>\$ 13,856,074</u>	<u>\$ 17,564,492</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (note 5)	\$ 214,282	\$ 127,737
Accrued project funding distribution	1,313,673	2,898,030
	<u>1,527,955</u>	<u>3,025,767</u>
Net assets:		
Externally restricted:		
Renewable Energy for Remote Communities fund	215,824	224,175
Federal revenue fund	5,097,418	5,118,915
Regional economic development planning fund	180,599	180,599
Federal economic development fund	6,834,278	9,015,036
	<u>12,328,119</u>	<u>14,538,725</u>
	<u>\$ 13,856,074</u>	<u>\$ 17,564,492</u>

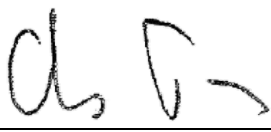
See accompanying notes to financial statements.

Approved on behalf of the Board:



Dallas Smith

Director



Chris Trumpy

Director

COAST ECONOMIC DEVELOPMENT SOCIETY

Statement of Operations and Changes in Net Assets

Year ended December 31, 2023

	Externally restricted				2023	2022
	Renewable Energy for Remote Communities Fund	Federal revenue fund	Regional economic development planning fund	Federal economic development fund		
Revenue:						
Net investment income (note 6)	\$ 95,755	\$ 716,474	\$ -	\$ -	\$ 812,229	\$ 106,422
Expenses:						
Administration	34,347	43,832	-	-	78,179	67,927
Board	-	126,015	-	-	126,015	149,560
Communications	4,000	9,630	-	-	13,630	22,392
Facilities and equipment	-	714	-	-	714	12,003
Personnel	50,140	657,371	-	-	707,511	738,262
Professional fees	-	98,131	-	-	98,131	49,984
Projects	-	-	-	2,180,758	2,180,758	1,247,000
Capacity and support services	-	22,500	-	-	22,500	-
	88,487	958,193	-	2,180,758	3,227,438	2,287,128
Payment to (recovery from) the Foundation (note 4)						
	15,619	(220,222)	-	-	(204,603)	(223,595)
	104,106	737,971	-	2,180,758	3,022,835	2,063,533
Deficiency of revenue over expenses	(8,351)	(21,497)	-	(2,180,758)	(2,210,606)	(1,957,111)
Net assets, beginning of year	224,175	5,118,915	180,599	9,015,036	14,538,725	16,495,836
Net assets, end of year	\$ 215,824	\$ 5,097,418	\$ 180,599	\$ 6,834,278	\$ 12,328,119	\$ 14,538,725

See accompanying notes to financial statements.

COAST ECONOMIC DEVELOPMENT SOCIETY

Statement of Cash Flows

Year ended December 31, 2023

	2023	2022
Cash provided by (used in):		
Operating:		
Deficiency of revenue over expenses	\$ (2,210,606)	\$ (1,957,111)
Items not involving cash:		
Fair value adjustments on investments	14,162	296,759
Changes in non-cash operating working capital:		
Interest receivable	(24,115)	(7,001)
Due from the Foundation	263,991	(643,025)
Prepaid expenses	7,110	(3,010)
Accounts payables and accrued liabilities	86,545	(97,620)
Accrued project funding distribution	(1,584,357)	(98,350)
	<u>(3,447,270)</u>	<u>(2,509,358)</u>
Investing:		
Redemption of investments, net	8,704,986	1,692,698
Net Increase (Decrease) in cash	5,257,716	(816,660)
Cash, beginning of year	3,255,423	4,072,083
Cash, end of year	<u>\$ 8,513,139</u>	<u>\$ 3,255,423</u>

See accompanying notes to financial statements.

COAST ECONOMIC DEVELOPMENT SOCIETY

Notes to the Financial Statements

Year ended December 31, 2023

1. Operations:

Coast Economic Development Society (the "Society") is incorporated under the Societies Act (British Columbia). The Society commenced operations in September 2007, with the appointment of the Board of Directors (the "Board").

The Society is a not-for-profit organization under the Income Tax Act. Its purpose 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 Society has established several funds whose purposes are to fund the Society's operational and administrative activities, and project distributions. These funds are described in note 2(b) and the monies in these funds have been invested in fixed income instruments and treasury accounts. The Society's investments and investment income will decrease as projects are disbursed, and hence net investment income may be less than operating expenses.

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 Society follows the restricted fund method of accounting for contributions. For accounting purposes, the following funds have been established:

(i) General fund:

The general fund is used to manage and report on unrestricted revenue and expenses. As at December 31, 2023, there are no funds held in the general fund (2022 - nil).

(ii) Externally restricted funds:

Renewable Energy for Remote Communities fund:

This fund includes contributions from the Province of British Columbia and interest earned on these contributions that have been restricted for the funding of projects for renewable energy projects in seven First Nations communities in coastal British Columbia and for the operating and administrative activities related to the program.

Federal revenue fund:

This fund includes income earned on the regional economic development planning fund and federal economic development fund and are used first for the funding of the Society's operational and administrative activities. Any remaining balance is used for projects for sustainable economic development projects by First Nations in the project area.

COAST ECONOMIC DEVELOPMENT SOCIETY

Notes to the Financial Statements (continued)

Year ended December 31, 2023

2. Significant accounting policies (continued):

(b) Fund accounting (continued):

(ii) Externally restricted funds (continued):

Regional economic development planning fund:

This fund includes contributions that have been restricted for the funding of projects for regional economic development planning projects by First Nations in the central and northern coast of British Columbia and Haida Gwaii.

Federal economic development fund:

This fund includes contributions from the Government of Canada that have been restricted for the funding of projects for sustainable economic development projects by First Nations in the project area. As at December 31, 2023, this fund includes a balance of \$444,990 (2022 - \$444,990) held specifically to be used towards those First Nations who have not signed a Land Use Planning Agreement.

(c) Revenue recognition:

(i) Restricted contributions:

Restricted contributions are recognized as revenue in the appropriate restricted fund when they are receivable by the Society if the amount to be received can be reasonably estimated and collection is reasonably assured.

(ii) Investment income:

Investment income is recorded when earned. Investment income earned on the Renewable Energy for Remote Communities fund is recognized as revenue in that fund. All other investment income is recognized as revenue in the federal revenue fund.

(d) Accrued project funding distribution:

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

(e) 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 amounts of revenue and expenses during the year. Actual results could differ from those estimates.

COAST ECONOMIC DEVELOPMENT SOCIETY

Notes to the Financial Statements (continued)

Year ended December 31, 2023

2. Significant accounting policies (continued):

(f) Financial instruments:

The Society's financial instruments include cash, interest receivable, amounts due from the Foundation, 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.

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 regarded 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.

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 Society 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 Society 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.

(g) Cash and cash equivalents:

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

COAST ECONOMIC DEVELOPMENT SOCIETY

Notes to the Financial Statements (continued)

Year ended December 31, 2023

3. Investments:

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

	2023	2022
Investments at fair value:		
Government of Canada treasury bills	\$ 4,509,990	\$ -
Fixed income securities	198,550	5,873,323
Pooled mortgage fund	-	7,554,365
	4,708,540	13,427,688
Less short-term fixed income securities	4,708,540	5,617,761
Total non-current investments	\$ -	\$ 7,809,927

Investments with maturity dates within the next fiscal year are presented as short-term investments on the statement of financial position.

4. Related party transactions:

The Society is related to the Coast Conservation Endowment Fund Foundation (the "Foundation") as all of the directors of the Society are also directors of the Foundation. The Foundation is a registered charity incorporated under the Societies Act (British Columbia). The purpose of the Foundation 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.

The net assets and results from operations of the Foundation have not been included in these financial statements. A financial summary as at and for the year ended December 31, 2023 is as follows:

	2023	2022
Financial position:		
Total assets	\$ 161,305,530	\$ 95,181,923
Total liabilities	66,378,045	3,112,672
Total net assets	\$ 94,927,485	\$ 92,069,251
Results of operations:		
Total revenue	\$ 7,539,930	\$ 591,448
Total expenses	4,681,696	4,455,003
Excess (deficiency) of revenue over expenses	\$ 2,858,234	\$ (3,863,555)
Cash flows:		
Operating activities	\$ 14,595,065	\$ 2,111,437
Investing activities	(13,376,531)	(2,114,822)

COAST ECONOMIC DEVELOPMENT SOCIETY

Notes to the Financial Statements (continued)

Year ended December 31, 2023

4. Related party transactions (continued):

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

In accordance with the cost sharing agreement, during the year ended December 31, 2023, the Society charged the Foundation \$ 366,306 (2022 - \$364,990), and the Foundation charged the Society \$161,703 (2022 - \$141,395) for their respective share of the expenses incurred by each of the two parties. Recovery of expenses from the Foundation of \$204,603 (2022 - \$223,595) recorded on the statement of operations excludes indirect taxes received 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 owing 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 Foundation is comprised of the following:

	2023	2022
Expenses charged to the Foundation:		
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 charged from the Foundation:		
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>

5. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government sales tax remittances payable of \$3,650 (2022 - \$3,815).

COAST ECONOMIC DEVELOPMENT SOCIETY

Notes to the Financial Statements (continued)

Year ended December 31, 2023

6. Net investment income:

	2023	2022
Interest income	\$ 756,620	\$ 631,513
Realized loss on sale of investments	137,678	(150,309)
Change in fair value adjustments on investments	(14,162)	(296,759)
	880,136	184,445
Less investment manager and custodian fees	67,907	78,023
	\$ 812,229	\$ 106,422

7. Financial instruments:

(a) Market risk:

Market risk is the risk that the fair value of the Society's financial instruments will fluctuate as a result of changes in market prices. Market risk is comprised of 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 Society through closely monitoring its investments and maintaining the instruments within the Society's Investment Policy. All securities present a risk of loss equivalent to their fair values.

(i) Interest rate risk:

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

(ii) 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 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 Society's investments are majority in cash and are held with 2 reputable institutions. Its investments are diversified within fixed income instruments and treasury bonds.

COAST ECONOMIC DEVELOPMENT SOCIETY

Notes to the Financial Statements (continued)

Year ended December 31, 2023

7. Financial instruments (continued):

(c) Liquidity risk:

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

There have been no significant changes to any of the above risk exposures from 2023.

8. Capital management:

The Society defines capital to be net assets.

The primary objective of the Society's capital management is to preserve capital and ensure availability of cash to fund projects to First Nations. This objective is balanced with the need to generate investment income to fund operating expenses of the Society.

The Society manages capital in accordance with the Conservation Investments and Incentives Agreement which requires utilization of professional investment management services. The Society also manages capital in accordance with the Performance and Accountability Funding Agreement dated March 3, 2007.

Under both these agreements the Society agreed to make its best efforts to expend the restricted fund balances in their entirety within a seven year period ending 2014. Despite best efforts, the restricted fund balances were not expended within this timeframe. The term of the Performance and Accountability Funding Agreement was extended to 2026 in agreement with the Province of British Columbia. On an annual basis, the Board reviews the status of the restricted fund balances to assess the likelihood of these balances being fully expended. Based on the restricted fund balances remaining at December 31, 2023, the Board is expecting the funds to be fully expended by end of 2024.

As of December 31, 2023, the Society has complied with all externally imposed capital restrictions.

COAST ECONOMIC DEVELOPMENT SOCIETY

Notes to the Financial Statements (continued)

Year ended December 31, 2023

9. Disclosure of director, employee and contractor remuneration:

For the year ending December 31, 2023, the Society paid total remuneration of \$1,231,262 to nine employees and contractors for services, each of whom received total annual remuneration of \$75,000 or greater. This amount is inclusive of remuneration costs of employees and contractors incurred by the Society subject to the cost sharing agreement with the Foundation (note 4).

For the year ending December 31, 2023, the Society remunerated the following directors for attending twenty-seven meetings throughout the course of the year:

Chair	\$	26,900
Secretary		8,713
Treasurer		11,563
Former director		5,825
Director		10,313
Director		9,988
Director		9,225
Director		6,950
Director		6,375
Total	\$	95,850

10. Dissolution:

The Society's planned dissolution is scheduled to take place in March 2025. The Board and management have committed to a set dissolution plan. All net assets will be transferred to the Foundation.