



Financial statements

Coast Conservation Endowment Fund Foundation

December 31, 2010

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## Independent auditor's report

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To the Board of Directors of  
Coast Conservation Endowment Fund Foundation

We have audited the accompanying financial statements of Coast Conservation Endowment Fund Foundation, which comprise the statement of financial position as at December 31, 2010, and the statements of operations and changes in fund balances and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **Management's responsibility for the financial statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles 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.

### **Auditor's responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

**Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of Coast Conservation Endowment Fund Foundation as at December 31, 2010, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Vancouver, Canada

June 6, 2011

*Grant Thornton LLP*


Chartered accountants

# Coast Conservation Endowment Fund Foundation

## Statement of financial position

December 31	2010	2009
		(As restated)
<b>Assets</b>		
Cash	\$ 584,108	\$ 236,931
Interest and other receivables	11,698	5,191
Investments (Note 3)	<u>68,272,602</u>	<u>64,710,159</u>
	<u>\$ 68,868,408</u>	<u>\$ 64,952,281</u>
<b>Liabilities</b>		
Payables and accruals	\$ 119,970	\$ 85,164
Due to Society (Note 4)	22,716	35,123
Accrued award distribution	<u>467,978</u>	<u>8,557</u>
	<u>610,664</u>	<u>128,844</u>
<b>Fund balances</b>		
General (Note 7)	3,500	5,000
Externally restricted		
Revenue fund (Note 7)	11,622,140	7,443,422
Regional conservation planning fund	803,489	1,546,400
Conservation endowment fund	<u>55,828,615</u>	<u>55,828,615</u>
	<u>68,257,744</u>	<u>64,823,437</u>
	<u>\$ 68,868,408</u>	<u>\$ 64,952,281</u>

On behalf of the Board of Directors



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Director



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Director

See accompanying notes to the financial statements.

# Coast Conservation Endowment Fund Foundation

## Statement of operations and changes in fund balances

Year ended December 31, 2010

	Unrestricted		Externally restricted		2010 Total	2009 Total
	General	Revenue fund	Regional conservation planning fund	Conservation endowment fund		
Revenue						
Contributions	\$ 3,500	\$ -	\$ -	\$ -	\$ 3,500	\$ 15,000
Investment income	-	5,318,202	-	-	5,318,202	2,721,636
	<u>3,500</u>	<u>5,318,202</u>	<u>-</u>	<u>-</u>	<u>5,321,702</u>	<u>2,736,636</u>
Expenses						
Awards	-	1,387,564	742,911	-	2,130,475	1,011,887
Cost sharing with the Society (Note 4)	-	123,685	-	-	123,685	192,475
Personnel	-	141,709	-	-	141,709	-
Professional fees	5,000	45,479	-	-	50,479	35,358
	<u>5,000</u>	<u>1,698,437</u>	<u>742,911</u>	<u>-</u>	<u>2,446,348</u>	<u>1,239,720</u>
(Deficiency) excess of revenue over expenses	\$ <u>(1,500)</u>	\$ <u>3,619,765</u>	\$ <u>(742,911)</u>	\$ <u>-</u>	\$ <u>2,875,354</u>	\$ <u>1,496,916</u>
Fund balances, beginning of year						
As previously reported	\$ 7,448,422	\$ -	\$ 1,546,400	\$ 55,828,615	\$ 64,823,437	\$ 58,371,391
Reclassification of fund balances (Note 7)	<u>(7,443,422)</u>	<u>7,443,422</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
As restated	5,000	7,443,422	1,546,400	55,828,615	64,823,437	58,371,391
(Deficiency) excess of revenue over expenses	(1,500)	3,619,765	(742,911)	-	2,875,354	1,496,916
Unrealized gains on investments	-	558,953	-	-	558,953	4,955,130
Fund balances, end of year	\$ <u>3,500</u>	\$ <u>11,622,140</u>	\$ <u>803,489</u>	\$ <u>55,828,615</u>	\$ <u>68,257,744</u>	\$ <u>64,823,437</u>

See accompanying notes to the financial statements

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# Coast Conservation Endowment Fund Foundation

## Statement of cash flows

Year ended December 31

2010

2009

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Cash derived from (applied to)

### Operating

Excess of revenue over expenses	\$ 2,875,354	\$ 1,496,916
Adjustments to determine cash flows		
Interest and other receivables	(6,507)	89,530
Payables and accruals	34,806	77,271
Due to Society	(12,407)	(10,988)
Accrued award distribution	459,421	(108,450)
	<u>3,350,667</u>	<u>1,544,279</u>

### Investing

Investments	<u>(3,003,490)</u>	<u>(59,755,029)</u>
Net increase (decrease) in cash	347,177	(58,210,750)
Cash, beginning of year	<u>236,931</u>	<u>58,447,681</u>
Cash, end of year	<u>\$ 584,108</u>	<u>\$ 236,931</u>

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See accompanying notes to the financial statements

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# Coast Conservation Endowment Fund Foundation

## Notes to the financial statements

December 31, 2010

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### 1. Nature of the organization

The Coast Conservation Endowment Fund Foundation (the "Foundation") was incorporated under the Society Act of British Columbia on December 24, 2004. The Foundation commenced operations in September 2007, with the appointment of the board of directors.

The Foundation is a not-for-profit organization and a registered charity under the Income Tax Act, with U.S. Internal Revenue Agency equivalent status. Its purpose is to fund conservation and resource management initiatives in the central and northern coastal regions of British Columbia and Haida Gwaii in collaboration with First Nations.

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### 2. Summary of significant accounting policies

#### Investments

Investments are stated at fair values. Fair values are based on quoted market values where available from active markets; otherwise, fair values are estimated using a variety of valuation techniques and models. Transaction costs incurred on the purchase and sale of securities are included in the investment balance. Purchase and sales of investments are recorded on the trade date.

#### Fund accounting

The Foundation follows the restricted fund method of accounting for contributions.

#### General fund

The general fund is used to manage and report on revenue and expenses related to unrestricted contributions and grants.

#### Restricted funds

##### *Revenue fund*

These amounts represent income earned on the contributions to the regional conservation planning fund and the endowment fund which have been restricted for the funding of the Foundation's operational and administrative activities and for awards for conservation initiatives connected with the project area.

##### *Regional conservation planning fund*

These amounts are restricted by the donors to fund awards for regionally focused conservation planning projects.

##### *Conservation endowment fund*

These amounts represent contributions that have been restricted as a permanent endowment by the donors. Investment income earned on resources of the endowments is reported in the revenue fund and will be used to fund approved conservation initiatives.

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# Coast Conservation Endowment Fund Foundation

## Notes to the financial statements

December 31, 2010

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### 2. Summary of significant accounting policies (continued)

#### Revenue recognition

##### *Restricted contributions*

Contributions to the restricted funds are recorded when received or receivable, when the amount to be received can reasonably be estimated and collection is reasonably assured.

##### *Investment income*

Investment income is recorded as it is earned.

#### Awards

Awards are recorded upon completion of a funding agreement, when the amount payable can be reasonably estimated and payments reasonably assured. Payment of these awards may be conditional on the recipient meeting certain criteria and providing certain supporting information.

#### Operational cost allocations

Operating costs are allocated to the revenue fund.

#### Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### Financial instruments

The Foundation has classified their financial instruments as follows:

- Cash as held-for-trading (measured at fair value through the statement of operations)
- Interest and other receivables as loans and receivables (measured at amortized cost using the effective interest method)
- Investments as available-for-sale (measured at fair value on the statement of financial position, adjustments to fair value recorded in fund balances)
- Payables and accruals as other financial liabilities (measured at amortized cost using the effective interest method)

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# Coast Conservation Endowment Fund Foundation

## Notes to the financial statements

December 31, 2010

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### 3. Investments

The table below summarizes the carrying amounts of the Foundation's fixed income securities and equity securities by their maturity dates and the weighted average yield.

December 31, 2010					
	<u>Average yield</u>	<u>Within 1 year</u>	<u>1 to 5 years</u>	<u>Over 5 years</u>	<u>Total</u>
Fixed income securities	3.73%	\$ 1,128,774	\$ 5,472,982	\$ 19,583,410	\$ 26,185,166
Equity securities					<u>42,087,436</u>
					<u>\$ 68,272,602</u>

December 31, 2009					
	<u>Average yield</u>	<u>Within 1 year</u>	<u>1 to 5 years</u>	<u>Over 5 years</u>	<u>Total</u>
Fixed income securities	4.08%	\$ 397,275	\$ 6,734,957	\$ 17,981,100	\$ 25,113,332
Equity securities					<u>39,596,827</u>
					<u>\$ 64,710,159</u>

As of December 31, 2010, investment in U.S. and global equity securities totalled \$17,552,419 (2009: \$16,163,667).

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### 4. Related party transactions

The Foundation and the Coast Economic Development Society (the "Society") have a common board of directors and share operating resources including personnel.

For the year ended December 31, 2010, expenses incurred by the Society on behalf of the Foundation totalled \$156,703 (2009: \$192,475). Expenses incurred by the Foundation on behalf of the Society totalled \$35,428 (2009: \$Nil). The expense for cost sharing with the Society totalling \$123,685 includes taxes paid on a portion of services billed by the Society to the Foundation.

As at December 31, 2010, the balance owed by the Foundation to the Society was \$22,716 (2009: \$35,123). The advances are unsecured, non-interest bearing and have no specific terms of repayment.

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### 5. Financial instruments

#### Fair values

The Foundation's financial instruments include cash, receivables, investments, and payables and accruals. Unless otherwise noted, the estimated fair value of the Foundation's financial instruments approximates their carrying value.

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# Coast Conservation Endowment Fund Foundation

## Notes to the financial statements

December 31, 2010

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### 5. Financial instruments (continued)

#### Market risk

Market risk is the potential for financial loss to the Foundation from changes in the values of its financial instruments due to changes in interest rates, currency exchange rates, or equity prices. The investments of the Foundation are subject to normal market fluctuations and to the risk inherent in investment in capital markets.

#### a *Interest rate risk*

Interest rate risk is the risk that changes in interest rates will affect future cash flows or fair values of financial instruments. Interest rate risk arises primarily from the Foundation's investment in interest bearing financial instruments. The value of fixed income securities will generally rise when interest rates fall and decrease when interest rates rise.

Changes in interest rates may also affect the value of equity securities.

#### b *Currency risk*

Currency risk is the risk that the value of the financial instruments denominated in non-Canadian currencies will fluctuate due to changes in foreign exchange rates. The Foundation is exposed to currency risk on its investment in U.S. and global equity securities.

#### c *Equity price risk*

Equity price risk is the risk that the value of financial instruments will fluctuate due to changes in market prices. The Foundation is exposed to equity price risk on its investments in equity securities.

The Foundation actively manages market risk through its investment policy that outlines the objectives, constraints, and parameters related to its investment activities. The Investment, Finance, and Audit Committee and management regularly review the Foundation's investments to ensure all activities adhere to the investment policy.

#### Credit risk

The Foundation is exposed to the risk that a counterparty defaults or becomes insolvent. Financial instruments that potentially subject the Foundation to concentrations of credit risk are receivables and holdings in fixed income securities.

The maximum exposure to credit risk in terms of receivables is \$11,698 and \$5,191 as of December 31, 2010 and 2009, respectively. Management believes that the Foundation does not have a significant credit risk on their receivables.

The Foundation limits the credit risk of fixed income securities by dealing principally with counterparties that maintain a credit rating of Single A or higher as rated by Dominion Bond Rating Service or equivalent.

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# Coast Conservation Endowment Fund Foundation

## Notes to the financial statements

December 31, 2010

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### 6. Capital management

The capital structure of the Foundation consists of restricted and unrestricted fund balances totalling \$68,257,744 as at December 31, 2010 (2009: \$64,823,437).

The primary objective of the Foundation's capital management is to generate investment income to fund awards to First Nations for conservation 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 a registered charity, the Foundation is obliged under the Income Tax Act (the "ITA") to annually expend certain amounts for charitable activities. In future years, the Foundation plans to expend incremental amounts for charitable activities estimated at \$410,000 to achieve compliance with the ITA.

As of December 31, 2010, except for non-compliance with the ITA, the Foundation has complied with all externally imposed capital restrictions.

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### 7. Reclassification of fund balances

External restrictions on the use of investment income earned on the contributions received for the regional conservation planning fund and the conservation endowment fund require the segregation of the income earned and the expenses related to the restricted revenue. The investment income earned on these contributions and the operational and administrative cost and award expense were previously included in the General fund.

The 2009 financial statements have been restated for a balance of \$7,443,422 in the revenue fund and corresponding decrease in the general fund at December 31, 2009.

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### 8. Revenue fund allocations

The board of directors approves an annual allocation from the revenue fund for First Nation awards. At December 31, 2010, allocations to be disbursed to First Nations totalled \$2,166,099.