



Grant Thornton

Financial statements

Coast Economic Development Society

December 31, 2009

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Grant Thornton

Auditors' report

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To the Board of Directors of
Coast Economic Development Society

We have audited the statement of financial position of Coast Economic Development Society as at December 31, 2009 and the statements of operations and changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the Society's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Society as at December 31, 2009 and the results of its operations, changes in fund balances and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Vancouver, Canada

March 12, 2010

Grant Thornton LLP

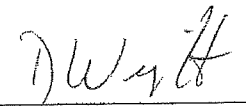
Chartered accountants

Coast Economic Development Society Statement of financial position


December 31	2009	2008
Assets		
Current		
Cash	\$ 3,862,715	\$ 61,795,523
Receivable from the Foundation (Note 4)	35,123	46,111
Interest receivable	1,750	99,394
Other receivables	21,752	10,316
Prepaid expenses	2,550	8,075
	3,923,890	61,959,419
Investments (Note 5)	59,756,973	-
Property and equipment (Note 6)	37,423	13,152
Deposits	4,917	4,917
	\$ 63,723,203	\$ 61,977,488
Liabilities		
Current		
Payables and accruals	\$ 116,910	\$ 140,626
Accrued award distribution	360,843	167,743
	477,753	308,369
Fund balances		
General	6,176,367	2,464,553
Externally restricted		
Government of British Columbia start-up grant	-	3,916
Regional economic development planning fund	899,838	1,200,650
Economic development fund	56,169,245	58,000,000
	63,245,450	61,669,119
	\$ 63,723,203	\$ 61,977,488

Commitments and contingent liability (Note 7 and Note 8)

On behalf of the Board of Directors



Director



Director

See accompanying notes to the financial statements.

Coast Economic Development Society

Statement of operations and changes in fund balances

Year ended December 31, 2009

	<u>Unrestricted</u>	<u>Externally restricted</u>			<u>2009 total</u>	<u>2008 total</u>
	<u>General</u>	<u>Government of British Columbia start-up grant</u>	<u>Regional economic development planning fund</u>	<u>Economic development fund</u>		
Revenue						
Investment income	\$ <u>2,264,680</u>	\$ -	\$ -	\$ -	\$ <u>2,264,680</u>	\$ <u>1,884,730</u>
Expenses						
Administration	89,499	-	-	-	89,499	52,823
Awards	-	-	300,812	1,830,755	2,131,567	799,350
Board expenses	85,259	-	-	-	85,259	89,196
Facilities and equipment	82,783	-	-	-	82,783	38,694
Personnel	628,315	-	-	-	628,315	385,973
Professional fees	130,808	3,916	-	-	134,724	85,319
	<u>1,016,664</u>	<u>3,916</u>	<u>300,812</u>	<u>1,830,755</u>	<u>3,152,147</u>	<u>1,451,355</u>
Recovery from the Foundation (Note 4)	<u>192,475</u>				<u>192,475</u>	<u>182,036</u>
	<u>824,189</u>	<u>3,916</u>	<u>300,812</u>	<u>1,830,755</u>	<u>2,959,672</u>	<u>1,269,319</u>
Excess (deficiency) of revenue over expenses	1,440,491	(3,916)	(300,812)	(1,830,755)	(694,992)	615,411
Unrealized gains on investments	2,271,323	-	-	-	2,271,323	-
Fund balances, beginning of year	<u>2,464,553</u>	<u>3,916</u>	<u>1,200,650</u>	<u>58,000,000</u>	<u>61,669,119</u>	<u>61,053,708</u>
Fund balances, end of year	\$ <u>6,176,367</u>	\$ -	\$ <u>899,838</u>	\$ <u>56,169,245</u>	\$ <u>63,245,450</u>	\$ <u>61,669,119</u>

See accompanying notes to the financial statements.

Coast Economic Development Society

Statement of cash flows

Year ended December 31

2009

2008

Cash derived from (applied to)

Operating

(Deficiency) excess of revenue over expenses	\$ (694,992)	\$ 615,411
Adjustments to determine cash flows:		
Amortization	3,575	-
Receivable from the Foundation	10,988	(46,111)
Interest and other receivables	86,208	132,373
Prepaid expenses	5,525	(12,992)
Payables and accruals	(23,716)	96,149
Accrued award distribution	193,100	167,743
	<u>(419,312)</u>	<u>952,573</u>

Investing

Investments	(57,485,650)	-
Purchase of property and equipment	(27,846)	(13,152)
	<u>(57,513,496)</u>	<u>(13,152)</u>

Net (decrease) increase in cash	(57,932,808)	939,421
Cash, beginning of year	<u>61,795,523</u>	<u>60,856,102</u>
Cash, end of year	<u>\$ 3,862,715</u>	<u>\$ 61,795,523</u>

See accompanying notes to the financial statements.

Coast Economic Development Society

Notes to the financial statements

December 31, 2009

1. Nature of the organization

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

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.

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 Society follows the restricted fund method of accounting for contributions.

General fund

The general fund is used to manage and report on the Society's administrative and operational activities.

Restricted funds

Government of British Columbia start-up grant

This amount is a donation from the Province of British Columbia to fund certain start-up costs for the Society.

Regional economic development planning fund

These amounts represent donations that have been restricted for the funding of awards for regional economic development planning projects by First Nations in the Central and Northern coast of British Columbia and Haida Gwaii.

Economic development fund

These amounts represent donations that have been restricted for the funding of awards for economic development projects by First Nations in the project area over a seven year period ending 2014.

Restricted donations were jointly funded by the Province of British Columbia and the Government of Canada. All income earned on project funds are allocated to the general fund.

Coast Economic Development Society

Notes to the financial statements

December 31, 2009

2. Summary of significant accounting policies (continued)

Revenue recognition

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.

Property and equipment

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

Leasehold improvements	straight-line over the remaining term of the lease
Equipment	30% declining balance

Operational cost allocations

Operating costs are allocated to the general 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 Society has classified their financial instruments as follows:

- Cash as held-for-trading (measured at fair value through the statement of operations)
- 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)

Coast Economic Development Society

Notes to the financial statements

December 31, 2009

3. Change in accounting policies

Effective January 1, 2009 the Society adopted the following new accounting standards:

i *Financial Statement Presentation by Not-for-Profit Organizations*

Amendments to The Canadian Institute of Chartered Accountants ("CICA") Handbook Section 4400 *Financial Statement Presentation by Not-for-Profit Organizations* modify the requirements with respect to various elements of financial statement presentation.

These amendments include:

- reporting certain revenues gross in the statement of revenues and expenditures;
- making Section 1540 *Cash Flow Statements* applicable to not-for-profit organizations;
- amortizing capital assets reported as assets in the balance sheet, regardless of the size of the organization;
- when a not-for-profit organization classifies its expenses by function and allocates some of its fundraising and general support costs to another function, disclosing the policy adopted for expenses and amounts allocated from each of these two functions to other functions; and
- the elimination of the requirement to treat net assets invested in capital assets as a separate component of net assets.

ii *Disclosure of Related Party Transactions by Not-for-Profit Organizations*

Section 4460 *Disclosure of Related Party Transactions by Not-for-Profit Organizations* has been amended to align the definition of related parties to Section 3840 *Related Party Transactions*. Related parties exist when one party has the ability to exercise, directly or indirectly, control, joint control or significant influence over the other. Two or more parties are related when they are subject to common control, joint control or significant influence. Two not-for-profit organizations are related parties if one has an economic interest in the other. Related parties also include management and immediate family members.

iii *Disclosure of Allocated Expenses by Not-for-Profit Organizations*

Section 4470 *Disclosure of Allocated Expenses by Not-for-Profit Organizations* establishes disclosure standards for a not-for-profit organization that classified its expenses by function and allocates its expenses to a number of functions to which the expenses relate.

The adoption of these standards does not have a material impact on the Society's financial statements.

4. Related party transactions

The Society and Coast Conservation Endowment Fund Foundation (the "Foundation") have a common board of directors and share operating resources including personnel. For the year ended December 31, 2009, expenses incurred by the Society on behalf of the Foundation totalled \$192,475 (2008: \$182,036). As at December 31, 2009, the balance owing from the Foundation to the Society was \$35,123 (2008: \$46,111). The advances are non-interest bearing and have no specific terms of repayment.

Coast Economic Development Society

Notes to the financial statements

December 31, 2009

5. Investments

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

	<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	3.48%	\$ 4,731,225	\$ 35,734,106	\$ 12,884,785	\$ 53,350,116
Equity securities					<u>6,406,857</u>
					<u>\$ 59,756,973</u>

6. Property and equipment

	2009			2008
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Net book value</u>	<u>Net book value</u>
Leasehold improvements	\$ 13,152	\$ 3,288	\$ 9,864	\$ 13,152
Equipment	<u>3,822</u>	<u>287</u>	<u>3,535</u>	<u>-</u>
Asset in construction	16,974	3,575	13,399	13,152
	<u>24,024</u>	<u>-</u>	<u>24,024</u>	<u>-</u>
	<u>\$ 40,998</u>	<u>\$ 3,575</u>	<u>\$ 37,423</u>	<u>\$ 13,152</u>

7. Commitments

Lease commitments

2010	\$ 40,381
2011	42,156
2012	<u>42,156</u>
	<u>\$ 124,693</u>

8. Contingent liability

The Society is committed to award distributions totalling \$338,500. The payment of these awards is conditional on the recipient meeting certain criteria and providing certain supporting information. The likelihood of the recipient meeting the conditions is not determinable.

Coast Economic Development Society

Notes to the financial statements

December 31, 2009

9. Financial instruments

Fair values

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

Market risk

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

i *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 Society'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.

ii *Equity price risk*

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

The Society 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 Society's investments to ensure all activities adhere to the investment policy.

Liquidity risk

Liquidity risk is the risk that the Society cannot meet a demand for cash or fund its obligations as they come due.

Liquidity risk is managed by investing the majority of the Society's assets in investments that are traded in an active market and can be readily liquidated. In addition, the Society aims to retain sufficient cash positions to maintain liquidity.

Coast Economic Development Society

Notes to the financial statements

December 31, 2009

9. Financial instruments (continued)

Credit risk

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

The maximum exposure to credit risk in terms of receivable is \$58,625 and \$155,821 as of December 31, 2009 and 2008, respectively. Management believes that the Society does not have a significant credit risk on their receivables.

The Society 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.

10. Capital management

The capital structure of the Society consists of restricted and unrestricted fund balances totalling \$63,245,450 as at December 31, 2009 (2008: \$61,669,119).

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

The Society manages capital in accordance with the Conservation Investments and Incentives Agreement dated May 3, 2007 which requires the use of socially responsible investment screens, and the 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 this agreement the Society agrees to make its best efforts to expend the restricted fund balances in their entirety within the seven year term of the agreement.

As of December 31, 2009, the Society is not in compliance with all externally imposed capital restrictions. The Society is working towards a resolution of the areas of non-compliance with the Province of British Columbia.



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