



Grant Thornton

Financial statements

Coast Conservation Endowment Fund Foundation

December 31, 2009

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Grant Thornton

Auditors' report

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To the Board of Directors of
Coast Conservation Endowment Fund Foundation

We have audited the statement of financial position of Coast Conservation Endowment Fund Foundation 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 Foundation'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 Foundation 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 16, 2010

Grant Thornton LLP

Chartered accountants

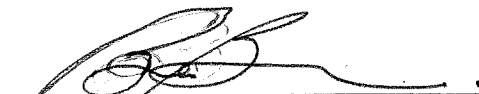
Coast Conservation Endowment Fund Foundation
Statement of financial position

December 31	2009	2008
Assets		
Cash	\$ 236,931	\$ 58,447,681
Interest and other receivables	5,191	94,721
Investments (Note 4)	<u>64,710,159</u>	<u>-</u>
	<u>\$ 64,952,281</u>	<u>\$ 58,542,402</u>
Liabilities		
Payables and accruals	\$ 85,164	\$ 7,893
Due to Society (Note 5)	35,123	46,111
Accrued award distribution	<u>8,557</u>	<u>117,007</u>
	<u>128,844</u>	<u>171,011</u>
Fund balances		
General	7,448,422	780,826
Externally restricted (Note 6)		
Regional conservation planning fund	1,546,400	1,761,950
Conservation endowment fund	<u>55,828,615</u>	<u>55,828,615</u>
	<u>64,823,437</u>	<u>58,371,391</u>
	<u>\$ 64,952,281</u>	<u>\$ 58,542,402</u>

On behalf of the Board of Directors



 Director



 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, 2009

	Externally restricted		2009 Total	2008 Total
	Unrestricted	Conservation planning fund		
Revenue				
Contributions	\$ 15,000	\$ -	\$ 15,000	\$ 55,828,615
Investment income	<u>2,721,636</u>	<u>-</u>	<u>2,721,636</u>	<u>954,967</u>
	<u>2,736,636</u>	<u>-</u>	<u>2,736,636</u>	<u>56,783,582</u>
Expenses				
Awards	796,337	215,550	1,011,887	238,050
Cost sharing with the Society (Note 5)	192,475	-	192,475	182,036
Professional fees	<u>35,358</u>	<u>-</u>	<u>35,358</u>	<u>25,936</u>
	<u>1,024,170</u>	<u>215,550</u>	<u>1,239,720</u>	<u>446,022</u>
Excess (deficiency) of revenue over expenses	1,712,466	(215,550)	1,496,916	56,337,560
Unrealized gains on investments	4,955,130	-	4,955,130	-
Fund balances, beginning of year	<u>780,826</u>	<u>1,761,950</u>	<u>58,371,391</u>	<u>2,033,831</u>
Fund balances, end of year	<u>\$ 7,448,422</u>	<u>\$ 1,546,400</u>	<u>\$ 64,823,437</u>	<u>\$ 58,371,391</u>

See accompanying notes to the financial statements

Coast Conservation Endowment Fund Foundation

Statement of cash flows

Year ended December 31

2009

2008

Cash derived from (applied to)

Operating

Excess of revenue over expenses	\$ 1,496,916	\$ 56,337,560
Adjustments to determine cash flows:		
Interest and other receivables	89,530	(86,751)
Payables and accruals	77,271	2,893
Due to Society	(10,988)	46,111
Accrued award distribution	(108,450)	117,007

1,544,279 56,416,820

Investing

Investments	<u>(59,755,029)</u>	<u>-</u>
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Net (decrease) increase in cash (58,210,750) 56,416,820

Cash, beginning of year 58,447,681 2,030,861

Cash, end of year \$ 236,931 \$ 58,447,681

See accompanying notes to the financial statements

Coast Conservation Endowment Fund Foundation

Notes to the financial statements

December 31, 2009

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 US 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.

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 the Foundation's operational and administrative activities and to fund First Nation projects in accordance with the Foundation's mandate.

Restricted funds

Conservation endowment fund

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

Regional conservation planning fund

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

Coast Conservation Endowment Fund Foundation

Notes to the financial statements

December 31, 2009

2. Summary of significant accounting policies (continued)

Revenue recognition

Restricted donations

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 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 Foundation 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)

Comparative amounts

Certain comparative amounts have been reclassified to conform to the current year presentation.

Coast Conservation Endowment Fund Foundation

Notes to the financial statements

December 31, 2009

3. Change in accounting policies

Effective January 1, 2009 the Foundation 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 Foundation's financial statements.

Coast Conservation Endowment Fund Foundation

Notes to the financial statements

December 31, 2009

4. 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.

	<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, 2009, investment in U.S. and global equity securities totalled \$16,163,667.

5. 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, 2009, expense incurred by the Society on behalf of the Foundation totalled \$192,475 (2008: \$182,036). As at December 31, 2009, the balance owed by the Foundation to the Society was \$35,123 (2008: \$46,111). The advances are non-interest bearing and have no specific terms of repayment.

6. Restricted funds

Regional conservation planning fund

At December 31, 2009, \$1,546,400 (2008: \$1,761,950) is available to fund regional conservation planning projects in accordance with the terms and conditions of the Conservation Investments and Incentives Agreement ("C.I.I.A."), dated May 2, 2007.

Conservation endowment fund

During 2008 private donors provided funding in the amount of \$55,828,615. The donation is held as a permanent endowment and only the revenue in excess of expenses may be expended in accordance with the terms and conditions of the C.I.I.A. Investment income earned in 2009 is \$2,466,750 (2008: \$891,000) and is recorded in the general fund.

Coast Conservation Endowment Fund Foundation

Notes to the financial statements

December 31, 2009

7. 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.

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.

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 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.

ii *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.

iii *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.

Liquidity risk

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

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

Coast Conservation Endowment Fund Foundation

Notes to the financial statements

December 31, 2009

7. Financial instruments (continued)

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 \$5,191 and \$94,721 as of December 31, 2009 and 2008, 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.

8. Capital management

The capital structure of the Foundation consists of restricted and unrestricted fund balances totalling \$64,823,437 as at December 31, 2009 (2008: \$58,371,391).

The primary objective of the Foundation's capital management is to generate investment income to fund awards to the 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 C.I.I.A. 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 to achieve compliance with the ITA.

As of December 31, 2009, except for non-compliance with the ITA, the Foundation has complied with all externally imposed capital restrictions.



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