



Grant Thornton

Financial Statements

Coast Economic Development Society

December 31, 2008

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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, 2008 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, 2008 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.

Grant Thornton LLP

Vancouver, Canada

April 13, 2009

Chartered accountants

Coast Economic Development Society

Statement of Financial Position

December 31

2008

2007

Assets

Current

Cash	\$ 61,795,523	\$ 60,856,102
Interest receivable	99,394	241,500
Receivable from the Foundation (Note 4)	46,111	-
Other receivables	10,316	583
Prepaid expenses and deposits	8,075	-

Property and equipment (Note 5)

Deposits

	61,959,419	61,098,185
	13,152	-
	4,917	-

\$ 61,977,488 **\$ 61,098,185**

Liabilities

Current

Payables and accruals	\$ 140,626	\$ 44,477
Accrued award distribution	167,743	-
	<u>308,369</u>	<u>44,477</u>

Fund Balances

General

Externally restricted

Government of British Columbia start-up grant	3,916	32,939
Regional economic development planning fund	1,200,650	2,000,000
Economic development fund	58,000,000	58,000,000

61,669,119 **61,053,708**

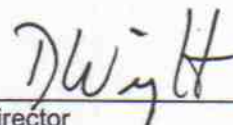
\$ 61,977,488 **\$ 61,098,185**

Commitments (Note 6)

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

	<u>Unrestricted</u>	<u>Externally Restricted</u>			<u>2008 Total</u>	<u>2007 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						
Contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 60,050,000
Interest	1,884,730	-	-	-	1,884,730	1,069,784
	<u>1,884,730</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,884,730</u>	<u>61,119,784</u>
Expenses						
Administration	52,823	-	-	-	52,823	-
Awards	-	-	799,350	-	799,350	-
Board expenses	89,196	-	-	-	89,196	48,553
Facilities and equipment	38,694	-	-	-	38,694	54
Personnel	385,973	-	-	-	385,973	-
Professional fees	56,296	29,023	-	-	85,319	22,007
	<u>622,982</u>	<u>29,023</u>	<u>799,350</u>	<u>-</u>	<u>1,451,355</u>	<u>70,614</u>
Recovery from the Foundation (Note 4)	182,036	-	-	-	182,036	4,538
	<u>440,946</u>	<u>29,023</u>	<u>799,350</u>	<u>-</u>	<u>1,269,319</u>	<u>66,076</u>
Excess (deficiency) of revenue over expenses	1,443,784	(29,023)	(799,350)	-	615,411	61,053,708
Fund balances, beginning of year	<u>1,020,769</u>	<u>32,939</u>	<u>2,000,000</u>	<u>58,000,000</u>	<u>61,053,708</u>	<u>-</u>
Fund balances, end 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>

See accompanying notes to the financial statements.

Coast Economic Development Society

Statement of Cash Flows

Year Ended December 31

2008

2007

Cash derived from (applied to)

	2008	2007
Operating		
Excess of revenue over expenses	\$ 615,411	\$ 61,053,708
Changes in:		
Receivables	132,373	(242,083)
Prepaid expenses and deposits	(12,992)	-
Receivable from the Foundation	(46,111)	-
Payables and accruals	96,149	-
Accrued award distribution	167,743	44,477
	<u>952,573</u>	<u>60,856,102</u>
Investing		
Purchase of property and equipment	<u>(13,152)</u>	<u>-</u>
Net increase in cash	939,421	60,856,102
Cash, beginning of year	<u>60,856,102</u>	<u>-</u>
Cash, end of year	<u>\$ 61,795,523</u>	<u>\$ 60,856,102</u>

See accompanying notes to the financial statements.

Coast Economic Development Society

Notes to the Financial Statements

December 31, 2008

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

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, 2008

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.

Interest income

Interest 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.

Cash and cash equivalents

Cash and cash equivalents may consist of cash on hand, balances with banks and short term cash deposits with maturities of three months or less, and bank overdrafts repayable on demand. Currently, there are no cash equivalents and cash consists of a demand deposit at a chartered bank.

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
------------------------	--

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.

Coast Economic Development Society

Notes to the Financial Statements

December 31, 2008

2. Summary of significant accounting policies (Continued)

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)
- Payables and accruals as other financial liabilities (measured at amortized cost using the effective interest method)

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.

Future accounting standards

The Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3862 *Financial Instruments – Disclosure* and Section 3863 *Financial Instruments – Presentation* are effective for not for profit organizations with fiscal periods beginning on or after October 1, 2008. Section 3862 requires the disclosure of information with regard to the significance of financial instruments for the Society's financial position and performance, and the nature and extent of risks arising from financial instruments to which the Society is exposed during the year and at the balance sheet date, and how the Society manages those risks. Section 3863 establishes standards for presentation of financial instruments and non financial derivatives. It deals with the classification of financial instruments from the perspective of the issuer, between liabilities and equity, the classification of related interest, dividends, losses and gains, and the circumstances in which financial assets and liabilities are offset.

Recent amendments to CICA Handbook Section 4400 *Financial Statement Presentation by Not-for-Profit Organizations* will 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.

Section 4460 *Disclosure of Related Party Transactions by Not-for-Profit Organizations* has been amended to align the definition of related parties to CICA 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.

Coast Economic Development Society

Notes to the Financial Statements

December 31, 2008

2. Summary of significant accounting policies (Continued)

Future accounting standards (Continued)

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.

These standards will be effective for the Society's 2009 fiscal year end. Management does not expect the adoption of these sections to have a material effect on the Society's financial statements.

3. Change in accounting policies

Effective January 1, 2008 the Society adopted the following new accounting standards:

(i) Capital Management

The Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1535 *Capital Disclosures* requires the disclosure of both qualitative and quantitative information that enables users of the financial statements to evaluate the Society's objectives, policies and process for managing capital. Section 1535 specifies the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the Society regards as capital; (iii) whether the Society has complied with any capital requirements and (iv) if it has not complied with the consequences of such non-compliance. The Society has included disclosures recommended by Section 1535 in Note 8.

(ii) General Standards of Financial Statement Presentation

CICA revised Handbook Section 1400 – General Standards of Financial Statement Presentation provides additional guidance related to management's assessment of the Society's ability to continue as a going concern. Management believes the Society is able to continue as a going concern for the foreseeable future.

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, 2008, expenses incurred by the Society on behalf of the Foundation totalled \$182,036 (2007: \$4,538). As at December 31, 2008, the balance owing from the Foundation to the Society was \$46,111 (2007: \$Nil). The advances are non-interest bearing and have no specific terms of repayment.

5. Property and equipment

			2008	2007
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Leasehold improvements	\$ 13,152	\$ -	\$ 13,152	\$ -

Coast Economic Development Society

Notes to the Financial Statements

December 31, 2008

6. Commitments

In 2008, the Society entered into an operating lease for office space in Vancouver. As at December 31, 2008, minimum rental commitments are as follows:

2009	\$	40,381
2010		40,381
2011		42,156
2012		<u>42,156</u>
	\$	<u>165,074</u>

7. Financial instruments

The fair values of the Society's financial instruments approximate their carrying values due to their short term maturity or capacity of prompt liquidation. It is management's opinion that the Society is not exposed to significant interest, currency or credit risk arising from these financial instruments.

8. Capital management

The capital structure of the Society consists of restricted and unrestricted fund balances totalling \$61,669,119 as at December 31, 2008 (2007: \$61,053,708).

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, 2008, the Society has substantially complied with all externally imposed capital restrictions.

Coast Economic Development Society

Notes to the Financial Statements

December 31, 2008

9. Start-up costs

Additional start-up costs for the Society and Foundation were provided by a grant from the Gordon and Betty Moore Foundation and managed by the Tides Canada Foundation and its affiliate, Tides Canada Initiative. The funds were administered by Tides Canada Initiative in order to facilitate the start-up of the Society and Foundation and are not included in these financial statements. At December 31, 2008, \$222,677 (2007: \$87,336) in start-up costs (net of Tides Canada Initiative and Tides Canada Foundation management fees) were incurred by Tides Canada Initiative in connection with the Society and Foundation.

10. Comparative figures

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.



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