

2021

Annual Report

Halifax Climate Investment,
Innovation and Impact Fund

AN EFFICIENCYONE COMPANY



Halifax Climate Investment,
Innovation & Impact Fund



About Us

At H*Ci*3, we are advancing climate solutions in Halifax while unlocking shared benefits for local communities.

Halifax Regional Municipality (HRM) has a very ambitious climate action plan, HalifACT: Acting on Climate Together – which puts forward a path to a 75 per cent reduction of greenhouse gas emissions by 2030 and net zero emissions by 2050. H*Ci*3's role is to support the region's efforts as they work towards achieving these targets.

The Halifax Climate Investment, Innovation and Impact (H*Ci*3) Fund is a not-for-profit organization incorporated in late 2020 and established as a wholly owned subsidiary of EfficiencyOne, a national leader in the design and delivery of energy efficiency programs and services.

H*Ci*3 is a member of Low Carbon Cities Canada (LC3) – a network of seven local centres across Canada, partnered with the Federation of Canadian Municipalities (FCM). H*Ci*3 holds an endowment in trust on behalf of the Government of Canada, provided to H*Ci*3 through FCM's Green Municipal Fund (GMF).

With a shared mandate, the LC3 Network is working together to a net-zero future in a way that advances equity, resilience, and community wellbeing. We work with our peers in the LC3 Network to share knowledge, best practices and lessons learned, and explore opportunities to collaborate.

Drawing on the strengths of EfficiencyOne, FCM and the LC3 Network, we will move quickly and thoroughly on climate action. Halifax has an ambitious climate plan and is working with stakeholders and the Province of Nova Scotia to advance climate action. H*Ci*3 is a key partner and only by working together can we meet the collective goal of net zero by 2050.



Statement from our Board Chair

We know that the climate crisis demands immediate and bold action. We also believe that it was crucial to dedicate sufficient time to establish a strong foundation for HCl3. We are confident that our diligence over the past year building our organization's governance structure, management team, performance measurement framework, and policies and program design will allow us to successfully transition to rolling out key programs and funding projects.

With these fundamentals firmly in place, we can now look outwards – continuing our work with stakeholders and broadening our outreach to more organizations, becoming a trusted and respected partner in our communities, funding strategic grants and programs, leveraging our resources to see greater impact, and scaling innovative climate solutions.

On behalf of HCl3, I would like to thank the EfficiencyOne Board members for their advice and commitment over the past year. They dedicated an extraordinary amount of time to establishing and setting up HCl3. I would also like to thank HCl3's Investment Committee members, and Advisory Group for their ongoing support and engagement. We look forward to our continued achievements in 2022 and beyond.

Carol MacCulloch, B. Comm., M.A.
Chair of the Board



Statement from our ED & CCIO

2021 was an important year for HCl3. During the first three months, focus was on meeting the closing conditions of FCM's Funding Agreement. In March 2021, we received our funding from the Government of Canada which set the stage for the rest of the year. Throughout the year, we took the time to understand the needs of our community members, and consult with local climate experts, different levels of governments, and other stakeholders and partners. Cultivating these relationships has helped us better understand our role in the region, which gaps we can fill and how we can work together to reduce our climate impacts while benefiting local communities.

I would like to thank EfficiencyOne staff, HCl3's Program Manager and our stakeholders and partners for their dedication and support over the past year. We know that the need to drive change has never been greater. 2022 will be focused on action – we are a grant maker, an investor, an advocate and a convener and we know that we can only be successful if we work together.



Sarah Buckle
Executive Director
& Chief Climate Investment Officer



2021: A Foundational Year for HCl3

2021 was the first year of HCl3 operations and we made significant progress. Key activities and outcomes are highlighted below.

Governance

- A milestone was met on March 30, 2021, when HCl3 received \$17.7M in funding from the Federation of Canadian Municipalities via FCM's Green Municipal Fund. The endowment provides a long-term financing model for the HCl3 that is independent and sustainable.
- Formed an Advisory Group with local climate leaders with the mandate to provide strategic input and advice on HCl3's programming, and act as advocates for HCl3.
- Signed a memorandum of understanding between HCl3 and Halifax Regional Municipality with a commitment to work together to meet the goals of HalifACT: Acting on Climate Together.
- Hired HCl3's Executive Director and Chief Climate Investment Officer and HCl3's Program Manager.
- Collaborated with the LC3 Network and developed a Theory of Change and Performance Management Framework – focusing on key metrics: carbon reduction, scale and replicability, co-benefits, job creation, equity and mobilizing private capital. This work creates the foundation to collectively measure and report on our impact and success.

Outreach

- Created a distinctive brand identity and logo for the organization and launched a new website and social media accounts.
- Built relationships with key partners and stakeholders to build awareness around shared goals and equitable climate solutions.
- Held granting workshops for EfficiencyOne staff and potential grant applicants, and engaged with community groups on granting opportunities and ideas.
- Developed an understanding of our role in the region and which gaps we can fill, providing insight into a project pipeline as we transition from developing programs to investing in projects.
- Collaborated on a communications plan for the LC3 Network.

Action

- Developed the foundational elements of a strategic grant program to launch in early 2022 with the goal of solving multiple issues simultaneously (e.g., GHG reductions, job creation, equity and accessibility).
- Established sound investment practices to manage HCl3's endowment by forming an Investment Committee, and finalizing an Investment Policy.
- Conducted a detailed evaluation of potential Investment Managers leading in the environmental, social and governance (ESG) space to manage HCl3's endowment.
- At the end of the year, we successfully invested our endowment in multiple asset-classes with a strong focus on ESG. The investment returns will contribute to stable funding and allow us to create greater impact through equitable climate solutions.

HCi3's Governance Structure

As of December 31, 2021 HCi3's governance structure included the following Board of Directors, Investment Committee members and Advisory Group members.

Board of Directors

Carol MacCulloch (Chair)
Corinne Boone
Stephen MacDonald
Vicky Sharpe

Investment Committee

Board Members

Stephen MacDonald (Chair)
Corinne Boone
Carol MacCulloch
Vicky Sharpe

External Members

Paul Pynn
Yuill Herbert
Jeremy Klein, FCM Observer

Advisory Group

Building Owners and Managers Association (BOMA) Nova Scotia - Christine Corbin
Ecology Action Centre - Maggy Burns
EfficiencyOne - Kaelan Keys
Halifax Partnership (Innovation District) - vacant
Halifax Regional Municipality - Councillor Shawn Cleary and Shannon Miedema
Nova Scotia Department of Natural Resources and Renewables - Jonah Bernstein
Nova Scotia Department of Environment and Climate Change - Sachi Gibson





About This Report

This is HCI3's first Annual Report and a snapshot of the past year. As we develop HCI3's first Strategic Plan throughout 2022, we will identify key metrics most relevant to our organization. Disclosures on environmental, social and governance data for HCI3 will be incorporated into future reporting using globally accepted climate and sustainability disclosure standards. 2021 data for HCI3 is reflected in [EfficiencyOne's 2021 Annual Report](#) and compensation for HCI3's Leadership Team is provided in [EfficiencyOne's 2021 Compensation Report](#).

We would like to hear your thoughts on this report. Send comments and questions to info@hci3.ca, tweet us on [Twitter](#), or connect with us on [LinkedIn](#).



2021: Financial Statements

Our financial statements are prepared in accordance with the Canadian Accounting Standards for Not-for-Profit Organizations. HCl3's 2021 Audited Financial Statements for the year ending at December 31, 2021 were approved by HCl3's Board of Directors on March 9, 2022 and are provided in this report.



**HALIFAX CLIMATE INVESTMENT,
INNOVATION AND IMPACT FUND**
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2021

HALIFAX CLIMATE INVESTMENT, INNOVATION AND IMPACT FUND

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DECEMBER 31, 2021

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Independent auditor's report

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To the Board of Directors of Halifax Climate Investment, Innovation and Impact Fund

Opinion

We have audited the consolidated financial statements of Halifax Climate Investment, Innovation and Impact Fund ("the Corporation"), which comprise the consolidated statement of financial position as at December 31, 2021, and the consolidated statements of operations, changes in net assets and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Halifax Climate Investment, Innovation and Impact Fund as at December 31, 2021, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting 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 Corporation in accordance with the ethical requirements that are relevant to our audit of the consolidated 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.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Corporation'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 Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 Corporation'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 Corporation'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 consolidated 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 Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Corporation and the corporations it controls to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

Grant Thornton LLP

Halifax, Canada
March 9, 2022

Chartered Professional Accountants

HALIFAX CLIMATE INVESTMENT, INNOVATION AND IMPACT FUND

CONSOLIDATED STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED DECEMBER 31, 2021

	Operating Fund	Endowment Fund	Stabilization Fund	2021
REVENUES				
Contributions (Note 3)	\$ 382,847	\$ -	\$ -	\$ 382,847
Investment income (Note 4)	141,369	-	-	141,369
	<u>524,216</u>	<u>-</u>	<u>-</u>	<u>524,216</u>
PROGRAM COSTS				
Meetings and travel	2,976	-	-	2,976
Professional fees and consulting	32,410	-	-	32,410
Rent	12,797	-	-	12,797
Salaries and benefits	153,559	-	-	153,559
	<u>201,742</u>	<u>-</u>	<u>-</u>	<u>201,742</u>
ADMINISTRATIVE COSTS				
Information technology	18,138	-	-	18,138
Marketing, outreach, education, and research	23,633	-	-	23,633
Meetings and travel	101	-	-	101
Office and insurance	5,153	-	-	5,153
Professional fees and consulting	64,593	-	-	64,593
Rent	3,715	-	-	3,715
Salaries and benefits	205,462	-	-	205,462
Training and development	1,679	-	-	1,679
	<u>322,474</u>	<u>-</u>	<u>-</u>	<u>322,474</u>
TOTAL COSTS	<u>524,216</u>	<u>-</u>	<u>-</u>	<u>524,216</u>
TOTAL SURPLUS (DEFICIT)	\$ -	\$ -	\$ -	\$ -
Endowment contributions (Note 3)	-	15,000,000	-	15,000,000
Net fair market value adjustments (Note 4)	-	31,018	-	31,018
	-	15,031,018	-	15,031,018
Fund balance, beginning of the year	-	-	-	-
Fund balance, end of the year	\$ -	\$ 15,031,018	\$ -	\$ 15,031,018

See accompanying notes to the consolidated financial statements


HALIFAX CLIMATE INVESTMENT, INNOVATION AND IMPACT FUND
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2021

	Operating Fund	Endowment Fund	Stabilization Fund	2021
ASSETS				
CURRENT				
Cash	\$ 2,127,852	\$ 83,325	\$ -	\$ 2,211,177
Interest receivable	1,486	6,301	-	7,787
Short-term investments (Note 5)	-	5,550,426	-	5,550,426
Due between funds	126,232	(132,515)	6,283	-
	2,255,570	5,507,537	6,283	7,769,390
INVESTMENTS (Note 5)	-	9,523,481	-	9,523,481
	\$ 2,255,570	\$ 15,031,018	\$ 6,283	\$ 17,292,871
LIABILITIES				
CURRENT				
Accounts payable and accrued liabilities	\$ 111,257	\$ -	\$ -	\$ 111,257
Deferred revenue (Note 6)	1,019,207	-	-	1,019,207
	1,130,464	-	-	1,130,464
DEFERRED REVENUE (Note 6)	1,125,106	-	6,283	1,131,389
	1,125,106	-	6,283	1,131,389
FUND BALANCE	-	15,031,018	-	15,031,018
	\$ 2,255,570	\$ 15,031,018	\$ 6,283	\$ 17,292,871

Approved by the Board



Carol MacCulloch
Chair, Board of Directors



Stephen MacDonald
Director

See accompanying notes to the consolidated financial statements

HALIFAX CLIMATE INVESTMENT, INNOVATION AND IMPACT FUND

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2021

	Operating Fund	Endowment Fund	Stabilization Fund	2021
CASH PROVIDED BY (USED FOR):				
OPERATING				
Total Surplus (Deficit)	\$ -	\$ -	\$ -	\$ -
Changes in non-cash working capital items				
Interest receivable	(1,486)	(6,301)	-	(7,787)
Accounts payable and accrued liabilities	111,257	-	-	111,257
Deferred revenue	2,144,313	-	6,283	2,150,596
Interfund transfers	(126,232)	132,515	(6,283)	-
	<u>2,127,852</u>	<u>126,214</u>	<u>-</u>	<u>2,254,066</u>
FINANCING				
Endowment contributions	-	15,000,000	-	15,000,000
	<u>-</u>	<u>15,000,000</u>	<u>-</u>	<u>15,000,000</u>
INVESTING				
Purchase of investments	-	(15,000,000)	-	(15,000,000)
Reinvested distributions	-	(42,889)	-	(42,889)
	<u>-</u>	<u>(15,042,889)</u>	<u>-</u>	<u>(15,042,889)</u>
CHANGE IN CASH	2,127,852	83,325	-	2,211,177
CASH - beginning of year	-	-	-	-
CASH - end of year	<u>\$ 2,127,852</u>	<u>\$ 83,325</u>	<u>\$ -</u>	<u>\$ 2,211,177</u>

See accompanying notes to the consolidated financial statements

HALIFAX CLIMATE INVESTMENT, INNOVATION AND IMPACT FUND

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

1. NATURE OF OPERATIONS

Halifax Climate Investment, Innovation and Impact Fund (“the Organization”) was incorporated on October 21, 2020 under the Canada Not-for-profit Corporations Act. The Organization is controlled by EfficiencyOne by its right to appoint the Organization’s board members.

The Organization is an initiative of Low Carbon Cities Canada (“LC3”) and is dedicated to supporting carbon reduction initiatives in the Halifax region by investing in local projects and developing programs to accelerate the scaling up of low-carbon solutions.

The Organization is a not-for-profit organization under the meaning assigned in the Income Tax Act and as such is exempt from income taxes under Section 149(1)(l). The Organization holds endowment funds in trust on behalf of the Federation of Canadian Municipalities (“FCM”) as trustee of the Green Municipal Fund and are to be maintained in perpetuity. Investment income earned on endowment funds is attributable to the contributor for tax purposes. Accordingly, no provision has been made in the accounts for income taxes.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting and consolidation

These consolidated financial statements include the accounts of the Organization and the Endowment Fund and have been prepared in accordance with Canadian Accounting Standards for Not-For-Profit Organizations (“ASNPO”).

These consolidated financial statements are the first financial statements for which the Organization has applied ASNPO. As no transactions took place during fiscal year 2020, the transition has had no impacts to the opening net assets as at October 21, 2020 or the consolidated statements of financial position or cash flows for the year ended December 31, 2020.

Fund accounting

a) The Operating Fund is used to account for the operations of the Organization including the operating grant received and expenses incurred to identify, select, design, deliver, evaluate, scale and report on mandate related programs. The Operating Fund also includes any additional necessary direct costs incurred to operate the Organization. Interest income earned on cash received is retained within the fund and restricted for operations of the fund.

b) The Endowment Fund includes grants contributed for endowment where the principal must be held in perpetuity. Investment income earned on the endowment and available for expenditure is reported in the appropriate restricted fund as determined by policy. All other investment income is retained within the Endowment Fund. The minimum balance of the Endowment Fund will be the nominal amount of all contributions to the fund.

c) The Stabilization Fund is used to provide a reserve from which funds may be transferred for the purpose of funding eligible expenses in years where the annual proceeds are lower than expected. The Stabilization Fund is also used to supplement any non-performing direct investments.

Revenue recognition

The Organization follows the deferral method of accounting for revenue. Restricted funding, other than endowment contributions, are recognized as revenue within the appropriate fund in the year in which the related expenses are incurred. Endowment contributions are presented as direct increases to net assets.

Restricted interest income on interest bearing deposits is recognized as revenue in the Operating Fund in the year in which the related expenses are incurred.

Investment income earned on the Endowment Fund and available for expenditure is allocated to the Operating Fund or Stabilization Fund, as determined by externally imposed restrictions. All other investment income earned on the Endowment Fund is recorded as direct increases or decreases to net assets.

HALIFAX CLIMATE INVESTMENT, INNOVATION AND IMPACT FUND

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash

The Organization discloses bank balances and interest-bearing deposits with a maturity period of three months or less from the date of acquisition under cash. The Organization manages its cash according to its cash needs, in accordance with the Organization's investment policy.

Financial instruments

Financial assets and financial liabilities are recorded at fair value on initial recognition. Investments are subsequently measured at fair value. All other financial instruments are subsequently measured at amortized cost.

Impairment

Financial assets are tested for impairment when indicators of impairment exist. The amount of any write-down is recognized in net surplus. Any previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of a reversal is recognized in net surplus.

Investments

Investments are primarily in pooled funds and stated at fair value on a trade date basis. The change in fair value is reflected as direct increases or decreases to net assets. Pooled fund investments are valued at the unit values supplied by the pooled fund administrator, which represent the Organization's proportionate share of underlying net assets at fair values determined using closing market prices.

Allocated expenses

The Organization incurs expenditures related to salaries, benefits and rent that are not directly attributable to mandate-related programs. These

expenses are allocated to programs based on the percentage of time employees spend on mandate-related programs.

Use of estimates

The preparation of consolidated financial statements in accordance with ASNPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingencies at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Items subject to such estimates and assumptions include accrued liabilities and fair market value of investments. Actual results could differ from those estimates and may have an impact on future periods.

3. CONTRIBUTIONS

Effective December 10, 2020, the Organization entered into a funding agreement with FCM to administer the LC3 efforts in Halifax, Nova Scotia. The Organization received \$2,431,286 in operating contributions and \$15,000,000 in endowment contributions from FCM on the closing date of March 30, 2021. Of this contribution, \$382,847 was recognized as revenue in the current year.

4. INVESTMENT INCOME

Investment income is earned from both operations and endowments. Investment income earned from operations consists of interest on cash deposits. Investment income earned on endowments consists of distributions from various pooled fund investments as listed in Note 5, as well as interest on cash deposits and unrealized gains or losses due to changes in fair market value.

The investment income earned from endowments is recorded in the Operating Fund as it becomes available for expenditure. A portion of investment income earned from endowments equal to 5% of annual operation expenditures is allocated to the Stabilization Fund.

HALIFAX CLIMATE INVESTMENT, INNOVATION AND IMPACT FUND

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

4. INVESTMENT INCOME (continued)

The total investment income earned during the year and its allocation is summarized below:

	Operating Fund	Endowment Fund	Stabilization Fund	2021
Investment distributions	\$ -	\$ 42,889	\$ -	\$ 42,889
Interest income	15,137	89,626	-	104,763
Change in net fair market value	-	31,018	-	31,018
	15,137	163,533	-	178,670
Interfund allocation	126,232	(132,515)	6,283	-
Increase in Endowment Fund	-	(31,018)	-	(31,018)
Deferred in Stabilization Fund	-	-	(6,283)	(6,283)
	\$ 141,369	\$ -	\$ -	\$ 141,369

5. INVESTMENTS

The Organization's investments in pooled funds are held by an investment manager and cover the endowment balance. Investments consist of units in the following funds, which are recorded at market value:

	2021
Short-term investment fund	\$ 5,550,426
Canadian equity mutual funds	1,155,686
Canadian bond funds	5,707,727
Global and international equity funds	2,660,068
	\$ 15,073,907

6. DEFERRED REVENUE

	Operating Fund	Endowment Fund	Stabilization Fund	2021
Opening Deferral of current year revenue	\$ -	\$ -	\$ -	\$ -
	2,144,313	-	6,283	2,150,596
	2,144,313	-	6,283	2,150,596
Less: current portion	1,019,207	-	-	1,019,207
	\$ 1,125,106	\$ -	\$ 6,283	\$ 1,131,389

7. RELATED PARTY TRANSACTIONS

EfficiencyOne renders administrative services of a routine nature to the Organization and the value of the services are measured on a fully allocated cost basis, being the amount of consideration established and agreed to by the related parties. In 2021, the Organization relied on EfficiencyOne for services related to the start-up of the Organization, including marketing, human resources, financial reporting and assistance in meeting closing conditions for the agreement with FCM. EfficiencyOne had the following transactions with the Organization during the fiscal year:

	2021
Information technology	\$ 7,638
Office and insurance	5,006
Rent	16,512
Salaries and benefits	112,899
Training and development	1,679
	\$ 143,734

Included in accounts payable and accrued liabilities is an amount of \$54,557 due to EfficiencyOne.

HALIFAX CLIMATE INVESTMENT, INNOVATION AND IMPACT FUND

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

8. RISK MANAGEMENT

The Organization is exposed to risks associated with its financial instruments as follows:

	Risks			
	Credit	Liquidity	Market risk	
			Other Price Risk	Interest Rate
Cash	X			X
Investments	X		X	X
Accounts payable and accrued liabilities		X		

a) Credit risk

Credit risk arises from the possibility of one of the parties to a transaction defaulting on its financial obligations.

Credit risk associated with cash is minimized by investing these assets in short-term interest-bearing deposits of a Canadian bank with credit ratings that comply with the Organization's banking and investment policy.

b) Liquidity risk

Liquidity risk is the risk of being unable to meet cash requirements or fund obligations as they come due. It stems from the possibility of a delay in realizing the fair value of investments. The Organization manages its liquidity risk by monitoring forecasted and actual cash flows and financial liability maturities, and by holding assets that can be readily converted into cash.

c) Market risk

The Organization is exposed to market risks arising from changes in the fair value of financial instruments due to market price fluctuations. Market risks consist of currency risk, interest rate risk and other price risk. The Organization is not exposed to currency risk.

i) Interest rate risk

Interest rate risk is the risk that the fair value of a financial instrument or the related future cash flows will fluctuate due to changes in the market interest rates. The Organization is exposed to interest rate risk with regard to its cash and cash-based investments.

The Organization's cash includes amounts on deposit with a Canadian bank that earn interest at the market rate. Fluctuations in market rates of interest on cash do not have a significant impact on the Organization's results of operations. Short-term interest-bearing deposits are not exposed to significant interest rate risk due to their short-term nature.

i) Other price risk

Other price risk is the risk that the fair value of a financial instrument or the related future cash flows will fluctuate due to changes in market prices. The Organization is exposed to other price risk with regard to its investments.

The Organization's investments include pooled funds which are subject to risks arising from changes in market conditions. The Organization manages this risk by using an investment manager and maintaining a diversified portfolio with a mix of bonds and equity funds in accordance with the Organization's investment policy.