2022
Annual Report

Halifax Climate Investment, Innovation & Impact Fund

AN EFFICIENCYONE COMPANY
HCi3 FUND
Halifax Climate Investment, Innovation & Impact Fund

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About Us

At Halifax Climate Investment, Innovation and Impact Fund (HCi3), we are investing in a net-zero Halifax for everyone. With partners, we will accelerate and enable the uptake of measurable, equitable and meaningful climate solutions by financing scalable projects.

HCi3 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, operating in Kjipuktuk on the ancestral and unceded territory of the Mi'kmaq People. HCi3 operates in Kjipuktuk in Mi'kma'ki on the ancestral and unceded territory of the Mi'kmaq Peoples. We are guided by our values of integrity, innovation, and partnership.

HCi3 is a member of Low Carbon Cities Canada (LC3) – a collaboration among seven local LC3 centres and the Federation of Canadian Municipalities' (FCM) Green Municipal Fund (GMF). HCi3 holds an endowment in trust on behalf of the FCM as trustee of the GMF, which was provided to FCM by the Government of Canada.

With a shared mandate, the LC3 Network is working together toward a net-zero future in a way that advances equity, resilience, and community well-being. 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. HCi3 is a key partner and only by working together can we meet the collective goal of net zero by 2050.

HCi3 staff, Chair of the Board of Directors and representatives from Hope Blooms at the 2022 Grant Program launch

Letter from our Board Chair

Urgent action is necessary to combat the climate crisis. After spending 2021 laying the foundation for our success, HCi3 moved into 2022 ready to build on that foundation and take bold action in the fight against climate change.

Over the past year, we launched a successful Grant Program, released the organization's first Strategic Plan, and launched a Direct Investment Program. At the same time, we continued to foster and build relationships, enhance our reputation as a trusted organization, and put the pieces in place to ensure that we can meet our mission to accelerate and enable the uptake of measurable, equitable and meaningful climate solutions by financing scalable projects. We are committed to exploring, understanding and addressing the barriers faced by Mi'kmaq peoples, African Nova Scotians and other historically marginalized groups in a just low-carbon transition. We continue to maintain a strong relationship with EfficiencyOne, sharing learnings and leveraging the organization's knowledge and expertise, and work closely with the Province of Nova Scotia and Halifax Regional Municipality (HRM) to support the actions laid out in *HalifACT*, the *Environmental Goals and Climate Change Reduction Act*, and *Our Climate, Our Future, Nova Scotia's Climate Change Plan* for Clean Growth, three ambitious climate action plans that put Halifax and Nova Scotia on the path toward net-zero. Through all our work, we collaborate and share knowledge nationally through the LC3 Network and participate in collaborative projects with a national scope.

Our new Strategic Plan will guide HCi3 over the next three years with a focus on partnering for climate action, building local capacity, mobilizing capital, and investing in impactful and equitable solutions to advance a net-zero Halifax.

At the end of 2022, we said goodbye to Sarah Buckle, HCi3's first Executive Director and Chief Climate Investment Officer, who moved on to a new and exciting opportunity. Sarah joined HCi3 in April 2020 and was instrumental in building HCi3 into the successful subsidiary of EfficiencyOne it is today.

She was a valued member of the LC3 Network and a leader amongst her LC3 Executive Director peers. I want to thank her for her outstanding contributions.

On behalf of HCi3, I would like to thank the EfficiencyOne Board members for their advice and support over the past year. I would also like to thank the members of the HCi3 Board of Directors, Investment Committee, and Advisory Group for their ongoing support and dedication to making 2022 a successful year. I look forward to seeing what 2023 has in store.

CMacCulloch

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

Letter from our Chief Executive Officer

2022 was a year of transition for HCi3, expanding on the foundation that was laid in 2021. We hired two interns who supported our communications and finance activities, launched a successful Grant Program, released our first Strategic Plan, and launched a Direct Investment Program. Our Advisory Group and Investment Committee continue to be invaluable assets to the organization, providing insights and advice to help guide and focus HCi3 efforts.

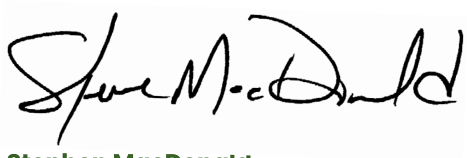
HCi3's Grant Program launched in early 2022 with great success. The program received more than two dozen expressions of interest and awarded grants to 11 local organizations in the HRM with total funding of just over $500,000. These projects focused on greenhouse gas (GHG) reductions and demonstrated a commitment to equity and community benefits. You can read about the projects and the organizations leading them in this Report.

The Direct Investment Program launched in the fall of 2022, with a focus on addressing barriers to low-carbon solutions and catalyzing opportunities to scale carbon reductions with a strong focus on equity and community building. We look forward to investing in projects across HRM for the years to come.

Additionally, we continue to benefit from being a member of the LC3 Network. Representatives from the LC3 Network attended two LC3 Summit meetings in 2022 to deepen relationships, share local knowledge, collaborate on national projects, and create new shared goals and program designs for 2023.

I want to thank EfficiencyOne staff for their support of HCi3 and HCi3's program managers, interns, Board members, stakeholders, and partners for their dedication to accelerating and enabling the uptake of measurable, equitable and, meaningful climate solutions by financing scalable projects. I also want to thank Sarah Buckle for her contributions to HCi3, laying the groundwork for a successful and impactful organization. I would also like to thank Jeremy Klein, the FCM representative at Investment Committee meetings, for his contributions to HCi3 over the past two years as he embarks on a new opportunity.

2023 will see HCi3 continue to partner for climate impact, build local capacity, mobilize capital, and invest in impactful and equitable solutions to advance a net-zero Halifax.



Stephen MacDonald
Chief Executive Officer

2022: A Transitional Year

2022 was the second year of HCi3 operations and we continue to make significant progress on investing in a net-zero Halifax for everyone. Key activities and outcomes are highlighted below.

Partner to Advance Climate Action

- Continued to foster and build relationships with potential grantees, funders, co-investors, partners, government representatives and, the community at large, with a focus on building awareness around shared goals and equitable climate solutions.
- Worked closely with HRM, contributing to the positive results of HalifACT: Acting on Climate Together.
- Developed a Stakeholder and Community Engagement Strategy, including a stakeholder map, engagement plan and, communications strategy to help guide HCi3's work.
- Supported the development of EfficiencyOne's Strategic Plan and Environmental, Social, and Governance Framework.
- Shared learnings from the Grant Program with key stakeholders and colleagues from the LC3 Network to support the development and enhancement of other grant programs.
- Supported the Halifax Innovation Outpost with their Climate Action Challenge Fund grant proposal evaluations, connecting with teams and sharing information about the HCi3 Grant Program.
- Worked with the LC3 Network and Efficiency Canada to advance the adoption of ambitious building codes and standards in Canada in support of the decarbonization of buildings.

Build Local Capacity

- Secured external financial support to hire two interns to support HCi3: a social media and content intern from the University of King's College in partnership with RBC Future Launch, and a climate finance intern through Clean Foundation's Clean Leadership Program.
- Collaborated with the LC3 Network to develop a guide for municipal decision-makers on how to enhance their unique positioning to enable zero-emission vehicle adoption.
- Collaborated in the ongoing development of a Centre for Green Building Excellence.
- Hosted two panels at the 2022 Atlantic Canada Solar Summit.

Mobilize Capital and Accelerating Investments

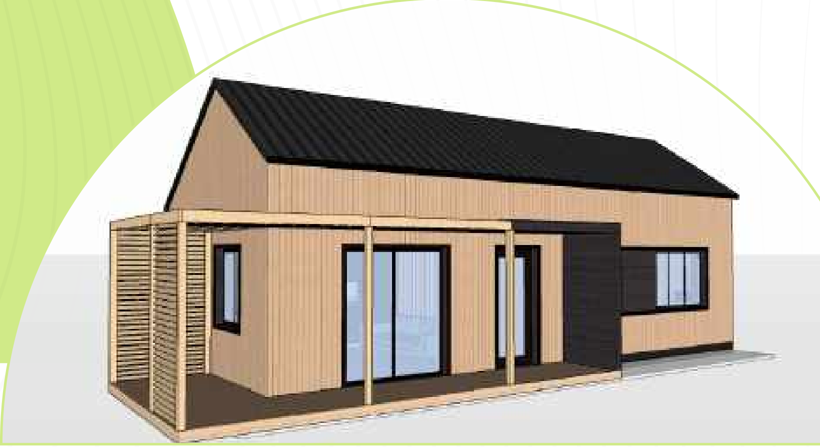
- Developed a Fund Leverage Strategy with the goal of leveraging additional endowment capital, co-investors, co-granting and, project implementation partners to achieve more impact, and began engaging potential donors.
- Received $100,000 in support of HCi3's Grant Program from the Province of Nova Scotia.
- Received $740,000 in McConnell Foundation funding over the next five years to build climate equity and reconciliation programming as part of a larger $5 million grant to the LC3 Network. The funding will support HCi3 to develop relationships, support climate leadership, build capacity in our own organization and in the community, and support dedicated staff and resources all with the purpose of promoting equity and, reconciliation within our broader climate programming.
- Continued to explore 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.
- Identified opportunities and partnerships for attracting new contributions to the Endowment Fund.

Invest in Impactful and Equitable Solutions

- Developed and published HCi3's first Strategic Plan to guide the organization over the next three years, with a focus on partnering for climate impact, building local capacity, mobilizing capital, and investing in impactful and equitable solutions to advance a net-zero Halifax. The Strategic Plan is aligned with that of our parent company, EfficiencyOne, Halifax's Climate Action Plan – HalifACT, and the LC3 Network's Theory of Change and Performance Management Framework.
- Launched the Direct Investment Program which looks to offer novel financing structures to accelerate measurable, equitable, meaningful, and scalable climate solutions, with a focus on addressing barriers to low-carbon solutions and catalyzing opportunities to scale carbon reductions with a strong focus on equity and community building.
- Launched the first round of HCi3's Grant Program. 26 expressions of interest were received with an ask of over $1.3 million in funding. HCi3 awarded just over $500,000 in grants to 11 local organizations to implement projects that focus on GHG emissions reductions and demonstrate a commitment to equity and community benefits. Grants were awarded up to $50,000 per project and cover up to 80% of total project costs. A summary of the selected projects is below:

ORGANIZATION	PROJECT NAME	SUMMARY OF PROJECT
Billet Workshop	Tiny Passive Homes	Develop a cost-effective and sustainable housing solution. The project team will design and build an energy-efficient tiny home and make the plans available publicly for project replication.
Clean Foundation	Preston Township Community Solar Social Feasibility Study	Determine how historic African Nova Scotian communities can benefit from future shared solar projects. The research and engagement process will ensure communities have the capacity to get involved in the provincial Community Solar program and will be replicated in other African Nova Scotian communities.
Ecology Action Centre	Creating a Path for Deep Energy Retrofits of Multi-unit Residential Buildings	Lay the foundation for a retrofit of a low-income multi-unit residential property. The program design study will further refine the cost, timeline and partnerships required for a panelized deep energy retrofit and increase capacity for retrofits in HRM, Nova Scotia, and beyond.
Hope Blooms	Hope Blooms Solar Awnings	In collaboration with Solar Schools Canada, design a 2-kilowatt solar awning that serves as multi-use public infrastructure at Hope Blooms' Global Kitchen for Social Change. Three solar awnings will be installed in Uniacke Square and will provide e-bike charging and Green Labs Climate Resiliency Programming for youth.

ORGANIZATION	PROJECT NAME	SUMMARY OF PROJECT
Nova Scotia Community College	Solar Gardens for Affordable Housing in HRM	Study the feasibility of community solar gardens for Housing Nova Scotia's properties located in HRM. The project will include a 5-year plan for the investment and development of community solar gardens and an analysis of electric vehicles and charging requirements for the Metropolitan Regional Housing Authority.
One North End and ReCover	Deep Retrofit Training and Capacity Building for African Nova Scotians	Grow the green work force and bridge the employment gap for African Nova Scotians through job shadowing on a panelized deep energy retrofit of the Harrietsfield-Williamswood Community Centre. This training will be replicated in African Nova Scotian communities across HRM.
Lara Ryan Consulting, Dalhousie, Construction Association of Nova Scotia	Centre for Green Building Excellence	Create a collaborative model and investigate the viability of the proposed structure and resources to establish a Centre for Green Building Excellence in Nova Scotia. The Centre will support green new construction and retrofits, while celebrating successes and creating opportunities for learning and industry collaboration to drive market transformation.
EV4U	Shared EV Pilot Project – Killam Affordable Housing Multi-unit Residential Building	Lease a used electric vehicle (EV) and install a charger at a multi-unit residential building owned by Killam Apartment REIT. Engagement on how to use the EV as well as the ability to book through an online system and pay the hourly rate will be provided for the residents. This project will test the feasibility of offering shared EVs on a cost-recovery basis for future expansion.
MCC Energy Strategies	Feasibility Study – Integration of Solar / Storage / EV Chargers in Condos	Investigate the integration of solar, battery storage, solar thermal, EV chargers, and possibly combined heat and power into the heating and electrical system of an 83-unit condo building. The study will include a financial and feasibility model that can be adapted to similar multi-unit residential buildings.
Neothermal Energy Systems	Net-zero Ready Residential Electric Thermal Storage Pilot	A two-phase project to demonstrate innovative electric thermal storage (ETS) technology to accelerate the transition from fossil fuels to cleaner electricity. The ETS system will be installed in two HRM homes and is an add-on, off-peak appliance that creates a net-zero heating solution for boiler or furnace heated homes.
Volta Research	Exploring Vehicle-to-Grid Capability in Halifax through Education and Outreach	Investigate the performance of a vehicle-to-grid (V2G) charging station at a multi-unit residential building in HRM. The demonstration project will assess the performance of V2G charging, including its potential to reduce GHG emissions, as well as other co-benefits such as resiliency from power outages.



A rendered drawing of a tiny passive house by Billet Workshop

HCi3’s Governance Structure

As of December 31, 2022, HCi3’s governance structure included the following members:

Board of Directors

The Board of Directors provides integrated and high-functioning leadership and oversight that enables HCi3 to excel in achieving its strategic and operational objectives. The Board met six times in 2022.

- Carol MacCulloch (Chair)
- Corinne Boone
- Stephen MacDonald
- Vicky Sharpe

Investment Committee

The Investment Committee oversees the management of HCi3’s endowment(s), including mandate-related investments and the performance of related climate change mitigation activities. The Investment Committee met five times in 2022.

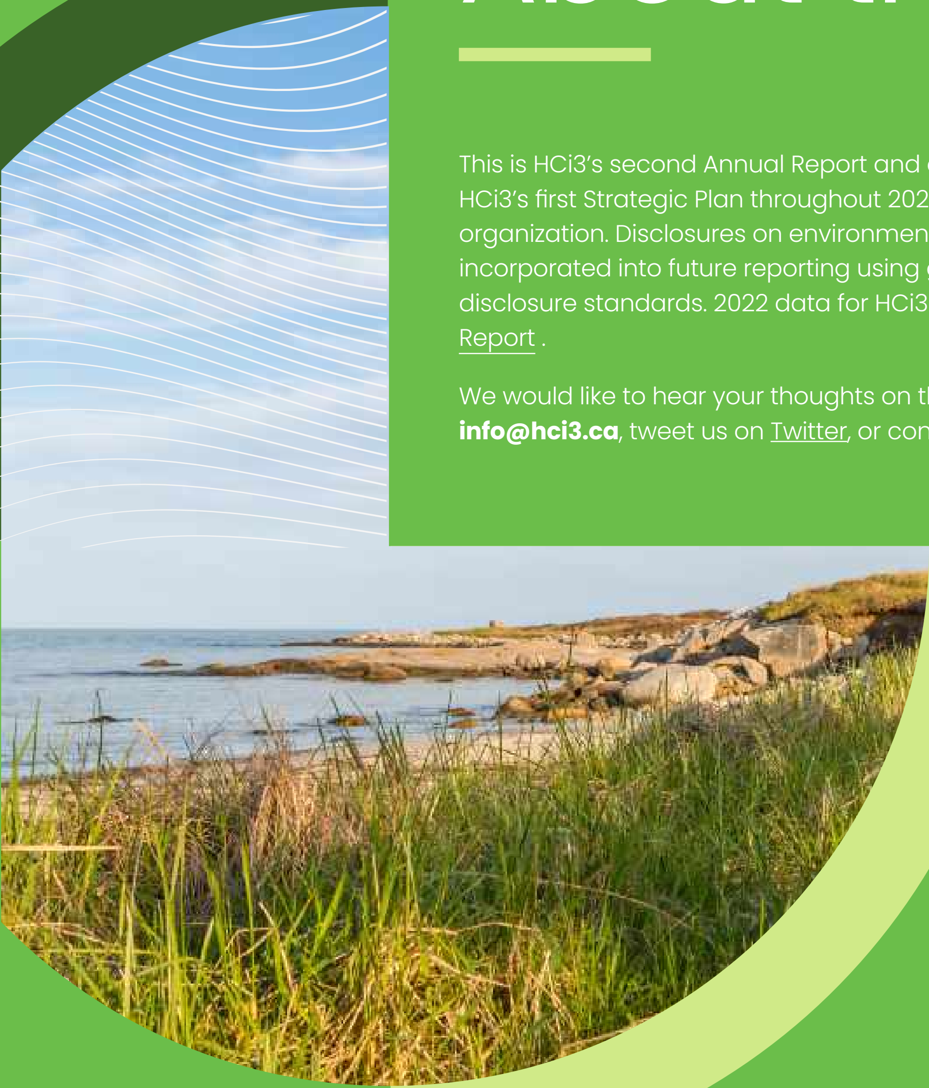
- Stephen MacDonald (Chair)
- Corinne Boone
- Carol MacCulloch
- Vicky Sharpe
- Paul Pynn (external)
- Yuill Herbert (external)
- Jeremy Klein, FCM Observer

Advisory Group

The HCi3 Advisory Group is made up of key organizations in the Halifax area and provides insights and advice to help guide HCi3 efforts to focus on collaborative and innovative efforts. The Advisory Group met four times in 2022.

- Building Owners and Managers Association (BOMA) Nova Scotia – Christine Corbin
- Ecology Action Centre – Maggy Burns
- EfficiencyOne – Kaelan Keys
- Halifax Regional Municipality – Councillor Shawn Cleary and Shannon Miedema
- Nova Scotia Department of Natural Resources and Renewables – Jonah Bernstein and Kathlyne Nelson
- Nova Scotia Department of Environment and Climate Change – John Cooper

About this Report



This is HCi3's second Annual Report and a snapshot of the past year. As we developed HCi3's first Strategic Plan throughout 2022, we identified 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. 2022 data for HCi3 is reflected in EfficiencyOne's 2022 Annual 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.

2022: Financial Statements

Our financial statements are prepared in accordance with the Canadian Accounting Standards for Not-for-Profit Organizations. HCi3's 2022 Audited Financial Statements for the year ending on December 31, 2022 were approved by HCi3's Board of Directors on March 27, 2023 and are provided in this report.

HALIFAX CLIMATE INVESTMENT, INNOVATION AND IMPACT FUND

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED

DECEMBER 31, 2022

Independent auditor's report

Grant Thornton LLP
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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, 2022, 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, 2022, 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 27, 2023

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, 2022

	Operating Fund	Endowment Fund	Stabilization Fund	2022	2021
REVENUES					
Contributions (Note 3)	$ 657,550	$ -	$ -	**$ 657,550**	$ 382,847
Interest income	44,124			**44,124**	-
Investment income, net of fees (Note 4)	280,885	-	-	**280,885**	141,369
	982,559	-	-	**982,559**	524,216
PROGRAM COSTS					
Grants	422,500	-	-	**422,500**	-
Marketing, outreach, education, and research	2,805	-	-	**2,805**	-
Meetings and travel	1,392	-	-	**1,392**	2,976
Professional fees and consulting	16,547	-	-	**16,547**	32,410
Rent	17,894	-	-	**17,894**	12,797
Salaries and benefits	329,174	-	-	**329,174**	153,559
Training and development	114	-	-	**114**	-
	790,426	-	-	**790,426**	201,742
ADMINISTRATIVE COSTS					
Information technology	13,719	-	-	**13,719**	18,138
Marketing, outreach, education, and research	5,635	-	-	**5,635**	23,633
Meetings and travel	11,176	-	-	**11,176**	101
Office and insurance	8,208	-	-	**8,208**	5,153
Professional fees and consulting	35,333	-	-	**35,333**	64,593
Rent	3,796	-	-	**3,796**	3,715
Salaries and benefits	113,427	-	-	**113,427**	205,462
Training and development	839	-	-	**839**	1,679
	192,133	-	-	**192,133**	322,474
TOTAL COSTS	982,559	-	-	**982,559**	524,216
TOTAL SURPLUS	$ -	$ -	$ -	**$ -**	$ -
FUND BALANCE, BEGINNING OF THE YEAR	$ -	$ 15,031,018	$ -	**$ 15,031,018**	$ -
Endowment contributions (Note 3)	-	-	-	**-**	15,000,000
Net fair market value adjustments (Note 4)	-	(1,286,405)	-	**(1,286,405)**	31,018
FUND BALANCE, END OF THE YEAR	$ -	$ 13,744,613	$ -	**$ 13,744,613**	$ 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, 2022

	Operating Fund	Endowment Fund	Stabilization Fund	2022	2021
ASSETS					
CURRENT					
Cash	$ 1,591,295	$ 229,510	$ -	**$ 1,820,805**	$ 2,211,177
Other receivables	5,862	31,873	-	**37,735**	7,787
Short-term investments (Note 5)	-	-	-	**-**	5,550,426
Due between funds (Note 4)	276,847	(352,186)	75,339	**-**	-
	1,874,004	(90,803)	75,339	**1,858,540**	7,769,390
INVESTMENTS (Note 5)	-	13,835,416	-	**13,835,416**	9,523,481
	$ 1,874,004	$ 13,744,613	$ 75,339	**$ 15,693,956**	$ 17,292,871
LIABILITIES					
CURRENT					
Accounts payable and accrued liabilities	$ 80,041	$ -	$ -	**$ 80,041**	$ 111,257
Deferred revenue (Note 6)	803,818	-	-	**803,818**	1,019,207
	883,859	-	-	**883,859**	1,130,464
DEFERRED REVENUE (Note 6)	990,145	-	75,339	**1,065,484**	1,131,389
	1,874,004	-	75,339	**1,949,343**	2,261,853
FUND BALANCE	-	13,744,613	-	**13,744,613**	15,031,018
	$ 1,874,004	$ 13,744,613	$ 75,339	**$ 15,693,956**	$ 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, 2022

	Operating Fund	Endowment Fund	Stabilization Fund	2022	2021
CASH PROVIDED BY (USED FOR):					
OPERATING					
Total Surplus	$ -	$ -	$ -	**$ -**	$ -
Changes in non-cash working capital items					
Other receivable	(4,376)	(25,573)	-	**(29,949)**	(7,787)
Accounts payable and accrued liabilities	(31,216)	-	-	**(31,216)**	111,257
Deferred revenue	(350,350)	-	69,056	**(281,294)**	2,150,596
Interfund transfers	(150,615)	219,671	(69,056)	**-**	-
	(536,557)	194,098	-	**(342,459)**	2,254,066
FINANCING					
Endowment contributions	-	-	-	**-**	15,000,000
	-	-	-	**-**	15,000,000
INVESTING					
Purchase of investments	-	(5,820,246)	-	**(5,820,246)**	(15,000,000)
Proceeds on sale of investments	-	5,820,247	-	**5,820,247**	-
Reinvested distributions (Note 4)	-	(47,914)	-	**(47,914)**	(42,889)
	-	(47,913)	-	**(47,913)**	(15,042,889)
CHANGE IN CASH	(536,557)	146,185	-	**(390,372)**	2,211,177
CASH - beginning of year	2,127,852	83,325	-	**2,211,177**	-
CASH - end of year	$ 1,591,295	$ 229,510	$ -	**$ 1,820,805**	$ 2,211,177

See accompanying notes to the consolidated financial statements

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").

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.

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. Financial assets measured at amortized cost include cash and other receivables. Financial liabilities measured at amortized cost include accounts payable.

Impairment

The Organization removes financial liabilities, or portion of, when the obligation is discharged, cancelled or expires. Previously recognized impairment losses are reversed to the extent of the improvement providing the asset is not carried at an amount at the date of the reversal, greater than the amount that would have been the carrying amount had no impairment loss been recognized previously. The amounts of any write-downs or reversals are recognized in net surplus.

Related party transactions

Financial assets and financial liabilities obtained in related party transactions are initially measured at cost. Gains or losses arising on initial measurement differences are generally recognized in net surplus when the transactions are in the normal course of operations, and in equity when the transaction is not in the normal course of operations, subject to certain exceptions.

Financial assets and financial liabilities recognized in related party transactions are subsequently measured based on how the Corporation initially measured the instrument. Financial instruments initially measured at cost are subsequently measured at cost, less any impairment for financial assets.

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 operating contribution, $557,550 (2021 - $382,847) was recognized as revenue in the current year.

The Organization received $100,000 in 2022 from the Province of Nova Scotia to provide grants in accordance with the Organization's Grant Program which was recognized as revenue in the current year

Effective December 15, 2022 the Organization entered into a funding agreement with the J.W. McConnell Family Foundation ("McConnell Foundation") to support climate mitigation projects. The Organization received $207,200 in contributions in 2022 with all the contribution being deferred in 2022.

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 operating expenditures is allocated to the Stabilization Fund as deferred revenue.

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

		2022		2021
Investment distributions	$	**406,629**	$	42,889
Interest income		**-**		104,763
Realized loss on sale of investments		**(4,176)**		-
Investment management fees		**(52,512)**		-
Change in net fair market value		**(1,286,405)**		31,018
		(936,464)		178,670
Decrease (Increase) in Fund Balance		**1,286,405**		(31,018)
Deferred as Stabilization Reserve		**(69,056)**		(6,283)
	$	**280,885**	$	141,369

During the year, $47,914 (2021 - $42,889) of recognized investment income was re-invested into pooled funds. The total re-invested income of $90,803 will be transferred from the Organization's investments to the operating fund in 2023.

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:

	2022	2021
Fiera ASFI – Active Canadian Bonds Universe Fund – Class A	$ 2,529,575	$ 2,857,673
Fiera ASFI – Active Short-term Bond Fund – Class A	2,525,294	2,850,055
Fiera Atlas Global Companies Fund – Class A	2,505,566	2,660,068
Fiera Diversified Lending Fund – Class A	2,220,712	-
ACM Commercial Mortgage Fund	1,449,838	-
Fiera Diversified Real Assets Fund – Class A	1,534,478	-
Fiera Canadian Equity Fossil Fuel Free Fund – Class A	1,038,527	1,155,685
Fiera Short-term Investment Fund – Class A	31,426	5,550,426
	13,835,416	15,073,907
Less: short-term investments	-	5,550,426
	$ 13,835,416	$ 9,523,481

6. DEFERRED REVENUE

	Operating Fund	Stabilization Fund	2022	2021
Opening	$ 2,144,313	$ 6,283	$ 2,150,596	$ -
Recognition of prior years' deferred revenue	(557,550)	-	(557,550)	-
Deferral of current year revenue	207,200	69,056	276,256	2,150,596
	1,793,963	75,339	1,869,302	2,150,596
Less: current portion	803,818	-	803,818	1,019,207
	$ 990,145	$ 75,339	$ 1,065,484	$ 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 2022, the Organization relied on EfficiencyOne for services including marketing, human resources, and financial reporting. EfficiencyOne had the following transactions with the Organization during the fiscal year:

	2022	2021
Information technology	$ 8,747	$ 7,638
Office and insurance	7,539	5,006
Rent	21,689	16,512
Salaries and benefits	52,972	112,899
Training and development	839	1,679
	$ 91,786	$ 143,734

Included in accounts payable and accrued liabilities is an amount of $23,934 (2021 - $54,557) due to EfficiencyOne.

RISK MANAGEMENT

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

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

8. RISK MANAGEMENT (continued)

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 additional currency risk other than that recognized through other price risk, as certain investments are denominated in foreign currencies.

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.

AN EFFICIENCYONE COMPANY

HCi3 FUND

Halifax Climate Investment, Innovation & Impact Fund