

Financial Statements of

**SIERRA CLUB OF BRITISH COLUMBIA
FOUNDATION**

Years ended December 31, 2012 and 2011

SIERRA CLUB OF BRITISH COLUMBIA FOUNDATION

Financial Statements

Years ended December 31, 2012 and 2011

	<u>Page</u>
Independent Auditors' Report	1
Statements of Financial Position	3
Statements of Operations and Changes in Fund Balances	4
Statements of Cash Flows	5
Notes to Financial Statements	6



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INDEPENDENT AUDITORS' REPORT

To the Directors of Sierra Club of BC Foundation

Report on the Financial Statements

We have audited the accompanying financial statements of Sierra Club of BC Foundation ("the Foundation"), which comprise the statements of financial position as at December 31, 2012, December 31, 2011 and January 1, 2011 and the statements of operations and changes in fund balances and cash flows for the years ended December 31, 2012 and December 31, 2011, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Foundation's preparation and fair presentation of the financial statements 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 Foundation's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

In common with many charitable organizations, the Foundation derives revenue from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Sierra Club of BC Foundation. Therefore, we were not able to determine whether, as at December 31, 2012, December 31, 2011 and January 1, 2011 and for the years ended December 31, 2012 and December 31, 2011, any adjustments might be necessary to donations and excess of revenues over expenses reported in the statement of operations, excess of revenues over expenses reported in the statement of cash flows and current assets and fund balances reported in the statement of financial position.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Sierra Club of BC Foundation as at December 31, 2012, December 31, 2011 and January 1, 2011 and its results of operations and its cash flows for the years ended December 31, 2012 and December 31, 2011 in accordance with Canadian accounting standards for not-for-profit organizations.

Report on Other Legal and Regulatory Requirements

As required by the Society Act (British Columbia), we report that, in our opinion, the accounting principles in the Canadian accounting standards for not-for-profit organizations have been applied on a consistent basis.



Chartered Accountants

April 24, 2013

Victoria, Canada

SIERRA CLUB OF BRITISH COLUMBIA FOUNDATION

Statements of Financial Position

December 31, 2012, December 31, 2011 and January 1, 2011

	Operating Fund	Special Purpose Fund	Total December 31, 2012	Total December 31, 2011	Total January 1, 2011
				(Schedule 1)	(Schedule 2)
Assets					
Current assets:					
Cash and cash equivalents	\$ 190,344	\$ 287,173	\$ 477,517	\$ 248,682	\$ 320,431
Accounts receivable	33,647	38,317	71,964	69,550	94,604
Prepaid expenses	-	-	-	-	695
	223,991	325,490	549,481	318,232	415,730
Capital assets (note 2)	24,289	-	24,289	36,784	6,182
Interfund balances	21,864	(21,864)	-	-	-
	\$ 270,144	\$ 303,626	\$ 573,770	\$ 355,016	\$ 421,912
Liabilities					
Current liabilities:					
Accounts payable and accrued liabilities (note 9)	\$ 41,446	\$ 54,342	\$ 95,788	\$ 119,234	\$ 128,207
Deferred revenue (note 3)	-	249,284	249,284	165,385	246,484
	41,446	303,626	345,072	284,619	374,691
Fund Balances					
Externally restricted	-	-	-	1,546	-
Unrestricted	228,698	-	228,698	68,851	47,221
	228,698	-	228,698	70,397	47,221
Commitments (note 7)	\$ 270,144	\$ 303,626	\$ 573,770	\$ 355,016	\$ 421,912

See accompanying notes to financial statements.

Approved by the Board:

_____ Director

_____ Director

SIERRA CLUB OF BRITISH COLUMBIA FOUNDATION

Statements of Operations and Changes in Fund Balances

Years ended December 31, 2012 and 2011

	Operating Fund	Special Purpose Fund	Total 2012	Total 2011
				(Schedule 3)
Revenue:				
Grants	\$ 5,250	\$ 636,367	\$ 641,617	\$ 678,130
Donations	468,818	98,489	567,307	337,783
Investment and other income	40,154	12,778	52,932	58,742
Sublease revenue	3,600	-	3,600	5,100
	517,822	747,634	1,265,456	1,079,755
Expenses:				
Administration and office	8,255	156,795	165,050	137,855
Amortization	5,683	8,208	13,891	4,032
Development	321,028	-	321,028	318,085
Interest	250	6,498	6,748	3,939
Professional fees	661	9,640	10,301	11,128
Rent and occupancy costs	3,771	27,088	30,859	27,615
Salaries and benefits	54,398	435,887	490,285	447,606
Charitable activities carried out under agency agreements (note 4)	5,000	63,993	68,993	106,319
	399,046	708,109	1,107,155	1,056,579
Excess of revenue over expenses	118,776	39,525	158,301	23,176
Interfund transfers:				
Administration fees (note 8)	41,071	(41,071)	-	-
Fund balances, beginning of year	68,851	1,546	70,397	47,221
Fund balances, end of year	\$ 228,698	\$ -	\$ 228,698	\$ 70,397

See accompanying notes to financial statements.

SIERRA CLUB OF BRITISH COLUMBIA FOUNDATION

Statements of Cash Flows

Years ended December 31, 2012 and 2011

	2012	2011
Cash provided by (used in):		
Operations:		
Excess (deficiency) of revenue over expenses		
Operating fund	\$ 118,776	\$ (4,248)
Special purpose fund	39,525	27,424
Add amortization which does not involve cash	13,891	4,032
Changes in non-cash working capital balances:		
Accounts receivable	(2,414)	25,054
Prepaid expenses	-	695
Accounts payable and accrued liabilities	(23,446)	(8,973)
Deferred revenue	83,899	(81,099)
	<u>230,231</u>	<u>(37,115)</u>
Investing activities:		
Purchase of capital assets	(1,396)	(34,634)
Increase (decrease) in cash and cash equivalents	<u>228,835</u>	<u>(71,749)</u>
Cash and cash equivalents, beginning of the year	248,682	320,431
Cash and cash equivalents, end of year	<u>\$ 477,517</u>	<u>\$ 248,682</u>

See accompanying notes to financial statements.

SIERRA CLUB OF BRITISH COLUMBIA FOUNDATION

Notes to Financial Statements

Years ended December 31, 2012 and 2011

The Sierra Club of British Columbia Foundation (the “Foundation”) is incorporated under the British Columbia Society Act and is registered as a charity under the Income Tax Act. The purpose of the Foundation is to encourage exploration and preservation of the earth’s ecosystems; to promote public awareness of natural values; to promote research on natural resource usage and preservation; and to conduct education in order to protect these resources.

On January 1, 2012, the Foundation adopted Canadian accounting standards for not-for-profit organizations (“ASNPO”) in Part III of the CICA Handbook. These are the first financial statements prepared in accordance with these standards.

In accordance with the transitional provisions in ASNPO, the Foundation has adopted the changes retrospectively, subject to certain exemptions allowed under these standards. The transition date is January 1, 2011 and all comparative information provided has been presented by applying ASNPO.

There were no transitional adjustments to the fund balances as a result of the transition to ASNPO at January 1, 2011 or excess of revenue over expenses for the year ended December 31, 2011 as a result of the transition to ASNPO.

1. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

(a) Fund accounting:

The Foundation records its activities in the following funds:

Operating Fund:

The Operating Fund accounts for the Foundation’s general operations and administration. This fund reports unrestricted donations and grants and administration fees.

Special Purpose Fund:

The Special Purpose Fund accounts for program delivery of the Foundation.

(b) Revenue recognition:

The Foundation follows the deferral method of accounting for contributions. Restricted contributions are deferred and recognized as revenue in the appropriate fund in the year in which the related expenses are incurred.

Unrestricted contributions are recognized as revenue of the Operating Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

SIERRA CLUB OF BRITISH COLUMBIA FOUNDATION

Notes to Financial Statements

Years ended December 31, 2012 and 2011

1. Significant accounting policies (continued):

(c) Cash and cash equivalents:

Cash and cash equivalents include short-term investments with original maturities of three months or less.

(d) Amortization:

Rates and the basis of amortization applied to write off the cost less estimated salvage value of capital assets over their estimated lives are as follows:

Asset	Basis
Computer equipment	55% declining balance
Computer software	45% declining balance or 3 years straight line

(e) Use of estimates:

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions which 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 period. Actual results could differ from those estimates.

(f) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Investments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Foundation determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Foundation expects to realize by exercising its right to any collateral.

SIERRA CLUB OF BRITISH COLUMBIA FOUNDATION

Notes to Financial Statements

Years ended December 31, 2012 and 2011

1. Significant accounting policies (continued):

(f) Financial instruments (continued):

If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

2. Capital assets:

December 31, 2012	Cost	Accumulated amortization	Net book value
Computer equipment	\$ 11,096	\$ 7,588	\$ 3,508
Computer software	31,643	10,862	20,781
	\$ 42,739	\$ 18,450	\$ 24,289

December 31, 2011	Cost	Accumulated amortization	Net book value
Computer equipment	\$ 9,700	\$ 4,152	\$ 5,548
Computer software	31,643	407	31,236
	\$ 41,343	\$ 4,559	\$ 36,784

January 1, 2011	Cost	Accumulated amortization	Net book value
Computer equipment	\$ 5,931	\$ 425	\$ 5,506
Computer software	778	102	676
	\$ 6,709	\$ 527	\$ 6,182

3. Deferred revenue:

Deferred revenue in the Special Purpose Fund comprises externally restricted contributions received in the current year or a prior year which will be recognized as revenue when the related expenses are incurred.

SIERRA CLUB OF BRITISH COLUMBIA FOUNDATION

Notes to Financial Statements

Years ended December 31, 2012 and 2011

3. Deferred revenue (continued):

Changes in deferred revenue balances:

	December 31, 2012	December 31, 2011	January 1, 2011
Opening balance	\$ 165,385	\$ 246,484	\$ 204,785
Less amounts recognized as revenue in the year	(756,184)	(751,556)	(691,112)
Add amounts received during the year	840,083	670,457	732,811
Closing balance	\$ 249,284	\$ 165,385	\$ 246,484

4. Charitable activities carried out under agency agreements:

The Foundation has agency agreements with various organizations to carry out joint initiatives that further the Foundations objectives. As described in note 5, these agency agreements were with Sierra Club BC in 2010. In 2011 and 2012, the agency agreements were with third party organizations.

5. Sierra Club BC:

The Sierra Club BC ("Chapter") and the Sierra Club of British Columbia Foundation are controlled by an Executive Committee and Board of Directors respectively. In 2012 the boards had certain members in common.

Up until early in 2010, the Chapter operated in a large part with funds received under agency agreements from the Foundation. The agency agreements governed the specific use of the funds. In early 2010, administrative changes were made affecting both the Chapter and the Foundation. Since that time, substantially all of the work formerly done by the Chapter (on behalf of the Foundation) is now done directly by the Foundation with staff being direct Foundation employees. The purpose of the change was to more effectively manage administration costs and to ensure transparency of operations with respect to Canada Revenue Agency policy respecting registered charitable organizations. The Chapter continues to exist to carry out political advocacy work outside that permitted for charitable organizations.

Amounts due to/from the Chapter do not bear interest and have no specified terms of repayment.

SIERRA CLUB OF BRITISH COLUMBIA FOUNDATION

Notes to Financial Statements

Years ended December 31, 2012 and 2011

5. Sierra Club BC (continued):

During the year, the Foundation had the following transactions with the Chapter:

- (a) Purchased certain administrative and office services of \$6,199 (2011 - \$ nil) from the Chapter;
- (b) Received rental income from the Chapter of \$2,750 (2011 - \$2,500); and
- (c) Amounts receivable from and payable to the Chapter of \$10,000 (2011 - \$10,135) and \$154 (2011 - \$60) respectively.

6. Financial instruments:

(a) Foreign currency risk

The Foundation occasionally receives monetary donations and grants denominated in US dollars. The Canadian equivalent upon conversion of these US dollar contributions is subject to foreign exchange risk. The Foundation had no US dollar currency at December 31, 2012.

(b) Credit risk

Credit risk is the risk that a third party to a financial instrument might fail to meet its obligations under the terms of the financial instrument. For cash and receivables the Foundation's credit risk is limited to the carrying value on the balance sheet.

The Foundation manages the risk associated with the concentration of credit risk through its policy of dealing with credit worthy financial institutions.

7. Commitments:

The Foundation is committed under operating lease agreements including office equipment and office premises until July 31, 2013. Future minimum lease payments under these operating leases are as follows:

2013	14,011
2014	2,580

8. Administration fees:

Administration fees are charged on cash collected in the Special Purpose Fund. Administration fees are charged at 5% of the grants received. Administration fees of \$41,071 (2011 - \$25,878) charged during the year on Special Purpose fund cash collections were transferred to the Operating Fund. Administration fees of 5-12% are charged on cash received that is to be paid to external agents under contract of service.

SIERRA CLUB OF BRITISH COLUMBIA FOUNDATION

Notes to Financial Statements

Years ended December 31, 2012 and 2011

9. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$5,725 (2011 - \$6,012), which includes amounts payable for payroll related remittances.

SIERRA CLUB OF BRITISH COLUMBIA FOUNDATION

Statement of Financial Position

Schedule 1

December 31, 2011

	Operating Fund	Special Purpose Fund	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 75,645	\$ 173,037	\$ 248,682
Accounts receivable	46,442	23,108	69,550
	122,087	196,145	318,232
Capital assets (note 2)	36,784	-	36,784
Interfund balances	9,651	(9,651)	-
	\$ 168,522	\$ 186,494	\$ 355,016
Liabilities			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 99,671	\$ 19,563	\$ 119,234
Deferred revenue (note 3)	-	165,385	165,385
	99,671	184,948	284,619
Fund Balances			
Externally restricted	-	1,546	1,546
Unrestricted	68,851	-	68,851
	68,851	1,546	70,397
Commitments (note 7)	\$ 168,522	\$ 186,494	\$ 355,016

SIERRA CLUB OF BRITISH COLUMBIA FOUNDATION

Statement of Financial Position

Schedule 2

January 1, 2011

	Operating Fund	Special Purpose Fund	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 116,891	\$ 203,540	\$ 320,431
Accounts receivable	37,548	57,056	94,604
Prepaid expenses	695	-	695
	155,134	260,596	415,730
Capital assets (note 2)	6,182	-	6,182
Interfund balances	(4,646)	4,646	-
	\$ 156,670	\$ 265,242	\$ 421,912
Liabilities			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 109,449	\$ 18,758	\$ 128,207
Deferred revenue (note 3)	-	246,484	246,484
	109,449	265,242	374,691
Fund Balances			
Externally restricted	-	-	-
Unrestricted	47,221	-	47,221
	47,221	-	47,221
	\$ 156,670	\$ 265,242	\$ 421,912

SIERRA CLUB OF BRITISH COLUMBIA FOUNDATION

Statement of Operations and Changes in Fund Balances

Schedule 3

Year ended December 31, 2011

	Operating Fund	Special Purpose Fund	Total
Revenue:			
Grants	\$ 15,207	\$ 662,923	\$ 678,130
Donations	253,823	83,960	337,783
Investment and other income	30,878	27,864	58,742
Sublease revenue	5,100	-	5,100
	<u>305,008</u>	<u>774,747</u>	<u>1,079,755</u>
Expenses:			
Administration and office	24,227	113,628	137,855
Amortization	1,428	2,604	4,032
Development	278,688	39,397	318,085
Interest	1,300	2,639	3,939
Professional fees	500	10,628	11,128
Rent and occupancy costs	3,221	24,394	27,615
Salaries and benefits	(108)	447,714	447,606
Charitable activities carried out under agency agreements (note 4)	-	106,319	106,319
	<u>309,256</u>	<u>747,323</u>	<u>1,056,579</u>
Excess (deficiency) of revenue over expenses	(4,248)	27,424	23,176
Interfund transfers:			
Administration fees (note 8)	25,878	(25,878)	-
Fund balances, beginning of year	47,221	-	47,221
Fund balances, end of year	<u>\$ 68,851</u>	<u>\$ 1,546</u>	<u>\$ 70,397</u>