

Financial Statements of

**SIERRA CLUB OF BRITISH COLUMBIA
FOUNDATION**

Year ended December 31, 2013

SIERRA CLUB OF BRITISH COLUMBIA FOUNDATION

Financial Statements

Year ended December 31, 2013

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INDEPENDENT AUDITORS' REPORT

To the Directors of Sierra Club of British Columbia Foundation

Report on the Financial Statements

We have audited the accompanying financial statements of Sierra Club of British Columbia Foundation ("the Foundation"), which comprise the statement of financial position as at December 31, 2013, and the statements of operations and changes in fund balances and cash flows for the year then ended, 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 audit. We conducted our audit 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 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 Foundation. Therefore, we were not able to determine whether, as at and for the years ended December 31, 2013 and December 31, 2012, any adjustments might be necessary to donations revenues and excess of revenues over expenses reported in the statements of operations, excess of revenues over expenses reported in the statements of cash flows and current assets and unrestricted fund balances reported in the statements of financial position. This caused us to qualify our audit opinion on the financial statements as at and for the year ended December 31, 2012.

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 British Columbia Foundation as at December 31, 2013, 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.

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

May 27, 2014

Victoria, Canada

SIERRA CLUB OF BRITISH COLUMBIA FOUNDATION

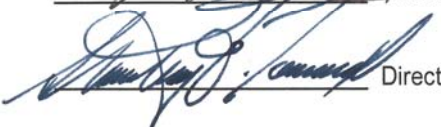
Statement of Financial Position

December 31, 2013, with comparative information for 2012

	Operating Fund	Special Purpose Fund	Total 2013	Total 2012
Assets				
Current assets:				
Cash and cash equivalents	\$ 168,531	\$ 218,811	\$ 387,342	\$ 477,517
Accounts receivable	12,378	14,505	26,883	71,964
Prepaid expenses	710	-	710	-
	181,619	233,316	414,935	549,481
Capital assets (note 2)	18,913	-	18,913	24,289
Interfund balances	17,928	(17,928)	-	-
	\$ 218,460	\$ 215,388	\$ 433,848	\$ 573,770
Liabilities				
Current liabilities:				
Accounts payable and accrued liabilities (note 9)	\$ 35,493	\$ 11,693	\$ 47,186	\$ 95,788
Deferred revenue (note 3)	-	203,695	203,695	249,284
	35,493	215,388	250,881	345,072
Fund Balances				
Externally restricted	-	-	-	-
Unrestricted	182,967	-	182,967	228,698
	182,967	-	182,967	228,698
Commitments (note 7)				
Subsequent event (note 10)				
	\$ 218,460	\$ 215,388	\$ 433,848	\$ 573,770

See accompanying notes to financial statements.

Approved by the Board:

 Director
 Director

SIERRA CLUB OF BRITISH COLUMBIA FOUNDATION

Statement of Operations and Changes in Fund Balances

Year ended December 31, 2013, with comparative information for 2012

	Operating Fund	Special Purpose Fund	Total 2013	Total 2012
				(Schedule 1)
Revenue:				
Grants	\$ -	\$ 559,830	\$ 559,830	\$ 641,617
Donations	320,134	74,896	395,030	579,601
Other income	30,629	5,013	35,642	40,638
Sublease revenue	1,200	-	1,200	3,600
	351,963	639,739	991,702	1,265,456
Expenses:				
Administration and office	5,661	136,132	141,793	165,050
Amortization	3,779	3,437	7,216	13,891
Development	227,919	-	227,919	321,028
Interest	6,607	50	6,657	6,748
Professional fees	5,793	5,269	11,062	10,301
Rent and occupancy costs	11,708	27,223	38,931	30,859
Salaries and benefits	169,377	406,171	575,548	490,285
Charitable activities carried out under agency agreements (note 4)	-	28,307	28,307	68,993
	430,844	606,589	1,037,433	1,107,155
Excess (deficiency) of revenue over expenses	(78,881)	33,150	(45,731)	158,301
Interfund transfers:				
Administration fees (note 8)	33,150	(33,150)	-	-
Fund balances, beginning of year	228,698	-	228,698	70,397
Fund balances, end of year	\$ 182,967	\$ -	\$ 182,967	\$ 228,698

See accompanying notes to financial statements.

SIERRA CLUB OF BRITISH COLUMBIA FOUNDATION

Statements of Cash Flows

Year ended December 31, 2013, with comparative information for 2012

	2013	2012
Cash provided by (used in):		
Operations:		
Excess (deficiency) of revenue over expenses		
Operating Fund	\$ (78,881)	\$ 118,776
Special Purpose Fund	33,150	39,525
Add amortization which does not involve cash	10,210	13,891
Changes in non-cash working capital balances:		
Accounts receivable	45,081	(2,414)
Prepaid expenses	(710)	-
Accounts payable and accrued liabilities	(48,602)	(23,446)
Deferred revenue	(45,589)	83,899
	<u>(85,341)</u>	<u>230,231</u>
Investing activities:		
Purchase of capital assets	(4,834)	(1,396)
Increase (decrease) in cash and cash equivalents	(90,175)	228,835
Cash and cash equivalents, beginning of the year	477,517	248,682
Cash and cash equivalents, end of year	<u>\$ 387,342</u>	<u>\$ 477,517</u>

See accompanying notes to financial statements.

SIERRA CLUB OF BRITISH COLUMBIA FOUNDATION

Notes to Financial Statements

Year ended December 31, 2013

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.

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.

(c) Cash and cash equivalents:

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

SIERRA CLUB OF BRITISH COLUMBIA FOUNDATION

Notes to Financial Statements

Year ended December 31, 2013

1. Significant accounting policies (continued):

(d) Capital assets:

Purchased capital assets are stated at cost. Contributed capital assets are recorded at fair value at the date of contribution.

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

When a capital asset no longer has any long-term service potential to the Foundation, the excess of its net carrying amount over any residual value is recognized as an expense in the statement of operations.

(e) Use of estimates:

The preparation of financial statements 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. The Foundation has not elected to carry any such financial 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.

SIERRA CLUB OF BRITISH COLUMBIA FOUNDATION

Notes to Financial Statements

Year ended December 31, 2013

1. Significant accounting policies (continued):

(f) Financial instruments (continued):

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. 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, 2013	Cost	Accumulated amortization	Net book value
Computer equipment	\$ 15,930	\$ 10,847	\$ 5,083
Computer software	31,643	17,813	13,830
	\$ 47,573	\$ 28,660	\$ 18,913

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

SIERRA CLUB OF BRITISH COLUMBIA FOUNDATION

Notes to Financial Statements

Year ended December 31, 2013

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.

	2013	2012
Deferred revenue, beginning of year	\$ 249,284	\$ 165,385
Less amounts recognized as revenue in the year	(639,739)	(756,184)
Add amounts received during the year	594,150	840,083
Deferred revenue, end of year	\$ 203,695	\$ 249,284

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. Beginning in 2011, 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 2013 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 was established to carry out political advocacy work outside that permitted for charitable organizations. At the end of fiscal 2013, the Chapter ceased operations.

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

Year ended December 31, 2013

5. Sierra Club BC (continued):

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

- (a) Provided certain administrative and office services of \$27,261 (2012 - \$6,199) to the Chapter;
- (b) Received rental income from the Chapter of \$2,091 (2012 - \$2,750); and
- (c) Amounts receivable from and payable to the Chapter of \$1,200 (2012 - \$10,000) and \$nil (2012 - \$154) respectively.

6. Financial risks and concentration of credit risk:

(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 \$63,522 in US dollar currency at December 31, 2013 (2012 - \$nil).

(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.

It is management's opinion that the Foundation is not exposed to significant interest or liquidity risks arising from its financial instruments.

7. Commitments:

The Foundation is committed under operating lease agreements for office premises until May 31, 2016 and office equipment until August 31, 2017. Future minimum lease payments under the leases are as follows:

2014	\$	37,230
2015		37,230
2016		17,018
2017		1,720

SIERRA CLUB OF BRITISH COLUMBIA FOUNDATION

Notes to Financial Statements

Year ended December 31, 2013

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 \$33,150 (2012 - \$41,071) 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.

9. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$653 (2012 - \$5,725), which includes amounts payable for payroll related remittances.

10. Subsequent event:

Subsequent to year end, the Foundation entered into an agreement to purchase a new server system over a term of 60 months. The total payments due over the term of the agreement are \$33,703.

11. Comparative information:

Certain comparative information has been reclassified to conform to the financial statement presentation adopted in the current year.

SIERRA CLUB OF BRITISH COLUMBIA FOUNDATION

Statement of Operations and Changes in Fund Balances

Schedule 1

Year ended December 31, 2012

	Operating Fund	Special Purpose Fund	Total
Revenue:			
Grants	\$ 5,250	\$ 636,367	\$ 641,617
Donations	470,318	109,283	579,601
Other income	38,654	1,984	40,638
Sublease revenue	3,600	-	3,600
	517,822	747,634	1,265,456
Expenses:			
Administration and office	8,255	156,795	165,050
Amortization	5,683	8,208	13,891
Development	321,028	-	321,028
Interest	250	6,498	6,748
Professional fees	661	9,640	10,301
Rent and occupancy costs	3,771	27,088	30,859
Salaries and benefits	54,398	435,887	490,285
Charitable activities carried out under agency agreements (note 4)	5,000	63,993	68,993
	399,046	708,109	1,107,155
Excess of revenue over expenses	118,776	39,525	158,301
Interfund transfers:			
Administration fees (note 8)	41,071	(41,071)	-
Fund balances, beginning of year	68,851	1,546	70,397
Fund balances, end of year	\$ 228,698	\$ -	\$ 228,698