

Financial Statements of

**SIERRA CLUB OF BRITISH COLUMBIA
FOUNDATION**

Year ended December 31, 2014

SIERRA CLUB OF BRITISH COLUMBIA FOUNDATION

Financial Statements

Year ended December 31, 2014

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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, 2014, 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, 2014 and December 31, 2013, any adjustments might be necessary to donations revenues and excess of revenues over expenses reported in the statements of operations, deficiency 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, 2013.

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, 2014, 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 basis consistent with that of the preceding year.



Chartered Accountants

May 26, 2015

Victoria, Canada

SIERRA CLUB OF BRITISH COLUMBIA FOUNDATION


Statement of Financial Position

December 31, 2014, with comparative information for 2013

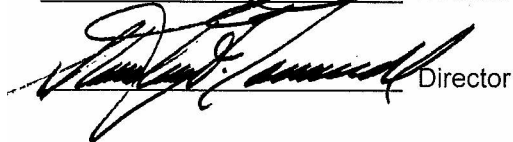
	Operating Fund	Special Purpose Fund	Total 2014	Total 2013
Assets				
Current assets:				
Cash and cash equivalents	\$ 91,922	\$ 234,677	\$ 326,599	\$ 387,342
Accounts receivable	68,707	20,354	89,061	26,883
Prepaid expenses	1,421	-	1,421	710
	162,050	255,031	417,081	414,935
Grants receivable	-	38,200	38,200	-
Capital assets (note 2)	27,717	-	27,717	18,913
Interfund balances	9,548	(9,548)	-	-
	\$ 199,315	\$ 283,683	\$ 482,998	\$ 433,848
Liabilities				
Current liabilities:				
Accounts payable and accrued liabilities (note 3)	\$ 27,897	\$ 11,098	\$ 38,995	\$ 47,186
Deferred revenue (note 4)	2,803	272,585	275,388	203,695
Current portion of obligation under capital lease	4,869	-	4,869	-
	35,569	283,683	319,252	250,881
Obligation under capital lease (note 5)	19,530	-	19,530	-
Fund Balances				
Unrestricted	144,216	-	144,216	182,967
Commitments (note 9)				
	\$ 199,315	\$ 283,683	\$ 482,998	\$ 433,848

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, 2014, with comparative information for 2013

	Operating Fund	Special Purpose Fund	Total 2014	Total 2013
				(Schedule 1)
Revenue:				
Grants	\$ 2,666	\$ 543,460	\$ 546,126	\$ 559,830
Donations	280,692	133,831	414,523	395,030
Other income	28,665	10,379	39,044	35,642
Sublease revenue	-	-	-	1,200
	312,023	687,670	999,693	991,702
Expenses:				
Salaries and benefits	103,842	503,732	607,574	575,548
Development	268,716	-	268,716	227,919
Administration and office	18,675	51,552	70,227	141,793
Charitable activities carried out under agency agreements (note 6)	-	32,032	32,032	28,307
Rent and occupancy costs	6,801	20,098	26,899	38,931
Amortization (note 2)	9,465	4,500	13,965	7,216
Professional fees	5,197	5,781	10,978	11,062
Service charges and interest	8,051	-	8,051	6,657
	420,747	617,695	1,038,442	1,037,433
Excess (deficiency) of revenue over expenses	(108,724)	69,975	(38,749)	(45,731)
Interfund transfers:				
Administration fees (note 10)	69,975	(69,975)	-	-
Fund balances, beginning of year	182,965	-	182,965	228,698
Fund balances, end of year	\$ 144,216	\$ -	\$ 144,216	\$ 182,967

See accompanying notes to financial statements.

SIERRA CLUB OF BRITISH COLUMBIA FOUNDATION

Statement of Cash Flows

Year ended December 31, 2014, with comparative information for 2013

	2014	2013
Cash provided by (used in):		
Operations:		
Excess (deficiency) of revenue over expenses:		
Operating Fund	\$ (108,724)	\$ (78,881)
Special Purpose Fund	69,975	33,150
Add amortization which does not involve cash	18,621	10,210
Increase in grants receivable	(38,200)	-
Changes in non-cash working capital balances:		
Accounts receivable	(62,178)	45,081
Prepaid expenses	(711)	(710)
Accounts payable and accrued liabilities	(8,193)	(48,602)
Deferred revenue	71,693	(45,589)
	<u>(57,717)</u>	<u>(85,341)</u>
Investing activities:		
Purchase of capital assets	-	(4,834)
Financing activities:		
Reduction in obligation under capital lease	(3,026)	-
Decrease in cash and cash equivalents	<u>(60,743)</u>	<u>(90,175)</u>
Cash and cash equivalents, beginning of the year	387,342	477,517
Cash and cash equivalents, end of year	<u>\$ 326,599</u>	<u>\$ 387,342</u>

See accompanying notes to financial statements.

SIERRA CLUB OF BRITISH COLUMBIA FOUNDATION

Notes to Financial Statements

Year ended December 31, 2014

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, 2014

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 - general	55% declining balance
Computer equipment - server	10 years straight line
Computer software - general	45% declining balance
Computer software - website	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, 2014

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, 2014	Cost	Accumulated amortization	Net book value
Computer equipment	\$ 43,355	\$ 15,700	\$ 27,655
Computer software	31,643	31,581	62
	\$ 74,998	\$ 47,281	\$ 27,717

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

Amortization of capital assets reported on the statement of operations totaled \$18,621 (2013 - \$10,210). Of this amount, \$4,656 (2013 - \$2,994) was allocated to development expense and the remainder of \$13,965 (2013 - \$7,216) was reported as amortization.

During the year the Foundation entered a capital lease for server equipment valued at \$27,425. The amount is included in the cost of computer equipment. The equipment is being amortized on a straight-line basis over 10 years. Accumulated amortization on the equipment as at December 31, 2014 is \$2,057.

SIERRA CLUB OF BRITISH COLUMBIA FOUNDATION

Notes to Financial Statements

Year ended December 31, 2014

3. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$680 (2013 - \$653), which includes amounts payable for payroll related remittances.

4. 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.

	2014	2013
Deferred revenue, beginning of year	\$ 203,695	\$ 249,284
Less amounts recognized as revenue in the year	(687,670)	(639,739)
Add amounts received during the year	756,560	594,150
Deferred revenue, end of year	\$ 272,585	\$ 203,695

5. Obligation under capital lease:

The Foundation has entered into a capital lease for computer equipment, expiring April 2019, requiring future minimum lease payments calculated using a discount rate of 8.4% as follows:

2015	\$	6,741
2016		6,741
2017		6,741
2018		6,741
2019		2,247
Total minimum lease payments		29,211
Less interest		4,812
		24,399
Current portion of obligations under capital leases		4,869
	\$	19,530

Interest of \$1,468 relating to the obligation under capital lease is included in interest expense on the statement of operations and changes in fund balances.

SIERRA CLUB OF BRITISH COLUMBIA FOUNDATION

Notes to Financial Statements

Year ended December 31, 2014

6. 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 7, these agency agreements were with Sierra Club BC in 2010. Beginning in 2011, the agency agreements were with third party organizations.

7. Sierra Club BC:

The Sierra Club BC ("Chapter") is governed by Sierra Club Canada, a registered charity under the Income Tax Act. Currently the board of the Foundation nominates Chapter board members. Sierra Club Canada elects the Chapter board based on these nominations. Foundation and Chapter boards have 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 2013, the Sierra Club of BC Foundation ceased activities with the Chapter.

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

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

- (a) Provided certain administrative and office services of \$524 (2013 - \$27,261) to the Chapter;
- (b) Received rental income from the Chapter of \$nil (2013 - \$2,091); and
- (c) Amounts receivable from the Chapter of \$nil (2013 - \$1,200).

8. 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 \$23,517 in US dollar currency at December 31, 2014 (2013 - \$63,522).

SIERRA CLUB OF BRITISH COLUMBIA FOUNDATION

Notes to Financial Statements

Year ended December 31, 2014

8. Financial risks and concentration of credit risk (continued):

(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.

9. 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:

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

10. Administration fees:

Administration fees are charged on cash collected in the Special Purpose Fund. Administration fees are charged at 9% on the grants received, 15% on the donations received and 20% on the bequests received. Administration fees of \$69,975 (2013 - \$33,150) charged during the year on Special Purpose Fund cash collections were transferred to the Operating Fund. Administration fees of 5 to 12% are charged on cash received that is to be paid to external agents under contract of service.

SIERRA CLUB OF BRITISH COLUMBIA FOUNDATION

Statement of Operations and Changes in Fund Balances

Schedule 1

Year ended December 31, 2013

	Operating Fund	Special Purpose Fund	Total
Revenue:			
Grants	\$ -	\$ 559,830	\$ 559,830
Donations	320,134	74,896	395,030
Other income	30,629	5,013	35,642
Sublease revenue	1,200	-	1,200
	<u>351,963</u>	<u>639,739</u>	<u>991,702</u>
Expenses:			
Salaries and benefits	169,377	406,171	575,548
Development	227,919	-	227,919
Administration and office	5,661	136,132	141,793
Charitable activities carried out under agency agreements (note 6)	-	28,307	28,307
Rent and occupancy costs	11,708	27,223	38,931
Amortization	3,779	3,437	7,216
Professional fees	5,793	5,269	11,062
Service charges and interest	6,607	50	6,657
	<u>430,844</u>	<u>606,589</u>	<u>1,037,433</u>
Excess (deficiency) of revenue over expenses	(78,881)	33,150	(45,731)
Interfund transfers:			
Administration fees (note 10)	33,150	(33,150)	-
Fund balances, beginning of year	228,698	-	228,698
Fund balances, end of year	<u>\$ 182,967</u>	<u>\$ -</u>	<u>\$ 182,967</u>