

Financial Statements of

**SIERRA CLUB OF BRITISH COLUMBIA  
FOUNDATION**

Year ended December 31, 2015

# SIERRA CLUB OF BRITISH COLUMBIA FOUNDATION

## Financial Statements

Year ended December 31, 2015

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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, 2015, 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, 2015 and December 31, 2014, any adjustments might be necessary to donations revenues and excess (deficiency) of revenues over expenses reported in the statements of operations, excess (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, 2014.



*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, 2015, 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.

*KPMG LLP*

Chartered Professional Accountants

April 21, 2016

Victoria, Canada

# SIERRA CLUB OF BRITISH COLUMBIA FOUNDATION


## Statement of Financial Position

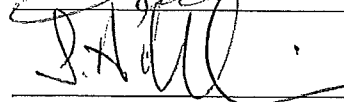
December 31, 2015, with comparative information for 2014

	Operating Fund	Special Purpose Fund	Total 2015	Total 2014
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 57,254	\$ 219,685	\$ 276,939	\$ 326,599
Accounts receivable	16,902	36,820	53,722	89,061
Prepaid expenses	1,048	-	1,048	1,421
	75,204	256,505	331,709	417,081
Grants receivable	-	19,100	19,100	38,200
Capital assets (note 2)	41,781	-	41,781	27,717
Interfund balances	24,666	(24,666)	-	-
	\$ 141,651	\$ 250,939	\$ 392,590	\$ 482,998
<b>Liabilities</b>				
Current liabilities:				
Accounts payable and accrued liabilities (note 3)	\$ 27,351	\$ 12,556	\$ 39,907	\$ 38,995
Deferred revenue (note 4)	3,463	238,383	241,846	275,388
Current portion of obligation under capital lease	5,296	-	5,296	4,869
	36,110	250,939	287,049	319,252
Deferred capital contributions (note 5)	16,221	-	16,221	-
Obligation under capital lease (note 6)	14,233	-	14,233	19,530
<b>Fund Balances</b>				
Unrestricted	75,087	-	75,087	144,216
Commitments (note 10)				
Subsequent event (note 14)				
	\$ 141,651	\$ 250,939	\$ 392,590	\$ 482,998

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, 2015, with comparative information for 2014

	Operating Fund	Special Purpose Fund	Total 2015	Total 2014
				(Schedule 1)
Revenue:				
Grants	\$ 11,353	\$ 470,936	\$ 482,289	\$ 430,270
Government grants (note 12)	-	24,482	24,482	15,462
Community Gaming Grant	-	109,064	109,064	100,394
Donations	294,135	58,889	353,024	434,523
Other income	6,048	45,636	51,684	19,044
	311,536	709,007	1,020,543	999,693
Expenses:				
Salaries and benefits	143,787	507,807	651,594	607,574
Development	279,602	-	279,602	268,716
Administration and office	10,442	44,807	55,249	70,227
Charitable activities carried out under agency agreements (note 7)	-	52,977	52,977	32,032
Rent and occupancy costs	9,996	16,209	26,205	26,899
Amortization (note 2)	7,544	-	7,544	13,965
Professional fees	4,879	3,851	8,730	10,978
Service charges and interest	1,872	5,899	7,771	8,051
	458,122	631,550	1,089,672	1,038,442
Excess (deficiency) of revenue over expenses	(146,586)	77,457	(69,129)	(38,749)
Interfund transfers:				
Administration fees (note 11)	77,457	(77,457)	-	-
Fund balances, beginning of year	144,216	-	144,216	182,965
Fund balances, end of year	\$ 75,087	\$ -	\$ 75,087	\$ 144,216

See accompanying notes to financial statements.

# SIERRA CLUB OF BRITISH COLUMBIA FOUNDATION

## Statement of Cash Flows

Year ended December 31, 2015, with comparative information for 2014

	2015	2014
Cash provided by (used in):		
Operations:		
Excess (deficiency) of revenue over expenses:		
Operating Fund	\$ (146,586)	\$ (108,724)
Special Purpose Fund	77,457	69,975
Items not involving cash:		
Amortization of capital assets	10,059	18,621
Amortization of deferred capital contributions	(5,062)	-
Decrease (increase) in grants receivable	19,100	(38,200)
Changes in non-cash working capital balances:		
Accounts receivable	35,339	(62,178)
Prepaid expenses	373	(711)
Accounts payable and accrued liabilities	912	(8,193)
Deferred revenue	(33,542)	71,693
	(41,950)	(57,717)
Investing activities:		
Purchase of capital assets	(24,123)	-
Financing activities:		
Reduction in obligation under capital lease	(4,870)	(3,026)
Deferred capital contributions received	21,283	-
	16,413	(3,026)
Decrease in cash and cash equivalents	(49,660)	(60,743)
Cash and cash equivalents, beginning of the year	326,599	387,342
Cash and cash equivalents, end of year	\$ 276,939	\$ 326,599

See accompanying notes to financial statements.

# SIERRA CLUB OF BRITISH COLUMBIA FOUNDATION

Notes to Financial Statements

Year ended December 31, 2015

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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.

Restricted contributions for the purchase of capital assets that will be amortized are deferred and recognized as revenue on the same basis as the amortization expense related to the acquired capital assets.

Donated materials and services are recognized in the financial statements when a fair value can be reasonably established, when the materials and services are used in the normal course of operations and would otherwise have been purchased.

### (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, 2015

## 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	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, 2015

### 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, 2015	Cost	Accumulated amortization	Net book value
Computer equipment	\$ 43,355	\$ 19,701	\$ 23,654
Computer software	55,766	37,639	18,127
	\$ 99,121	\$ 57,340	\$ 41,781

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

Amortization of capital assets reported on the statement of operations totaled \$10,059 (2014 - \$18,621). Of this amount, \$2,515 (2014 - \$4,656) was allocated to development expense and the remainder of \$ 7,544 (2014 - \$13,965) was reported as amortization.

During 2014 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, 2015 is \$4,799.

# SIERRA CLUB OF BRITISH COLUMBIA FOUNDATION

## Notes to Financial Statements

Year ended December 31, 2015

### 3. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$585 (2014 - \$680), 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.

	2015	2014
Deferred revenue, beginning of year	\$ 272,585	\$ 203,695
Less amounts recognized as revenue in the year	(695,011)	(687,670)
Add amounts received during the year	660,809	756,560
Deferred revenue, end of year	\$ 238,383	\$ 272,585

### 5. Deferred capital contributions:

During the year the Foundation received contributions to be used towards the acquisition of information technology assets. Of the amounts received \$15,185 was spent on capital projects and \$6,098 remains unspent at year end.

	2015	2014
Balance, beginning of year	\$ -	\$ -
Current year contributions received	21,283	-
Amounts amortized to revenue	(5,062)	-
Balance, end of year	\$ 16,221	\$ -

# SIERRA CLUB OF BRITISH COLUMBIA FOUNDATION

## Notes to Financial Statements

Year ended December 31, 2015

### 6. 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:

2016	\$	6,741
2017		6,741
2018		6,741
2019		2,247
Total minimum lease payments		22,470
Less interest		2,941
		19,529
Current portion of obligations under capital leases		5,296
		\$ 14,233

Interest of \$1,872 (2014 - \$1,468) relating to the obligation under capital lease is included in interest expense on the statement of operations and changes in fund balances.

### 7. 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 8, these agency agreements were with Sierra Club BC in 2010. Beginning in 2011, the agency agreements were with third party organizations.

### 8. Sierra Club BC Chapter:

The Sierra Club BC Chapter ("SCBCC") is governed by Sierra Club Canada Foundation ("SCCF"), a registered charity under the Income Tax Act. Currently the board of the Sierra Club of British Columbia Foundation ("SCBC Foundation") nominates Chapter board members then SCCF elects the Chapter board based on these nominations.

Up until early in 2010, the SCBC Chapter operated in a large part with funds received under agency agreements from the SCBC 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, all 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 in turn carried out the political advocacy work outside that permitted for charitable organizations.

# SIERRA CLUB OF BRITISH COLUMBIA FOUNDATION

## Notes to Financial Statements

Year ended December 31, 2015

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### 8. Sierra Club BC Chapter (continued):

At the end of 2013, the SCBC Foundation ceased all activities with the SCBC Chapter.

During the year, the Foundation had no transactions with the Chapter (2014 – provided administrative services of \$524).

### 9. 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 \$22,207 in US dollar currency at December 31, 2015 (2014 - \$23,517).

#### (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.

### 10. 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:

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2016	\$ 17,018
2017	1,720

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# SIERRA CLUB OF BRITISH COLUMBIA FOUNDATION

## Notes to Financial Statements

Year ended December 31, 2015

### 11. Administration fees:

Administration fees are charged on cash collected in the Special Purpose Fund. Administration fees are charged at 9% on the grants received, 25% on the donations received and 22% on the bequests received. Administration fees of \$77,457 (2014 - \$69,975) charged during the year on Special Purpose Fund cash collections were transferred to the Operating Fund. Administration fees of 12% are charged on cash received that is to be paid to external agents under contract of service.

### 12. Government grants:

	2015	2014
Provincial	\$ -	\$ 7,300
Municipal	-	3,000
Federal	24,482	5,162
Total government grants	\$ 24,482	\$ 15,462

### 13. Comparative information:

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

### 14. Subsequent event:

Subsequent to the 2015 year-end the Foundation was notified by the Gordon and Betty Moore Foundation that it would be awarded a \$300,000 USD three year program grant in April of 2016. The award letter was signed April 5, 2016 and requires annual reporting to the donor.

# SIERRA CLUB OF BRITISH COLUMBIA FOUNDATION

Statement of Operations and Changes in Fund Balances

Schedule 1

Year ended December 31, 2014

	Operating Fund	Special Purpose Fund	Total
Revenue:			
Grants	\$ 2,666	\$ 427,604	\$ 430,270
Government grants (note 12)	-	15,462	15,462
Community Gaming Grant	-	100,394	100,394
Donations	300,692	133,831	434,523
Other income	8,665	10,379	19,044
	312,023	687,670	999,693
Expenses:			
Salaries and benefits	103,842	503,732	607,574
Development	268,716	-	268,716
Administration and office	18,675	51,552	70,227
Charitable activities carried out under agency agreements (note 7)	-	32,032	32,032
Rent and occupancy costs	6,801	20,098	26,899
Amortization (note 2)	9,465	4,500	13,965
Professional fees	5,197	5,781	10,978
Service charges and interest	8,051	-	8,051
	420,747	617,695	1,038,442
Excess (deficiency) of revenue over expenses	(108,724)	69,975	(38,749)
Interfund transfers:			
Administration fees (note 11)	69,975	(69,975)	-
Fund balances, beginning of year	182,965	-	182,965
Fund balances, end of year	\$ 144,216	\$ -	\$ 144,216