

Financial Statements of

**SIERRA CLUB OF BRITISH COLUMBIA  
FOUNDATION**

Year ended December 31, 2016

# SIERRA CLUB OF BRITISH COLUMBIA FOUNDATION

## Financial Statements

Year ended December 31, 2016

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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, 2016, 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, 2016 and December 31, 2015, 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, 2015.

*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, 2016, 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 Societies Act (British Columbia), we report that, in our opinion, the accounting policies applied in preparing and presenting the financial statements in accordance with Canadian accounting standards for not-for-profit organizations have been applied on a basis consistent with that of the preceding period.

*KPMG LLP*

Chartered Professional Accountants

June 1, 2017  
Victoria, Canada

# SIERRA CLUB OF BRITISH COLUMBIA FOUNDATION

## Statement of Financial Position

December 31, 2016, with comparative information for 2015

	Operating Fund	Special Purpose Fund	Total 2016	Total 2015
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 183,166	\$ 225,573	\$ 408,739	\$ 276,939
Accounts receivable	6,457	20,301	26,758	53,722
Prepaid expenses	748	-	748	1,048
Short term investments	106,634	-	106,634	-
	297,005	245,874	542,879	331,709
Grants receivable	-	19,100	19,100	19,100
Investments (note 2)	106,834	-	106,834	-
Capital assets (note 3)	31,281	-	31,281	41,781
Interfund balances	(48,234)	48,234	-	-
	\$ 386,886	\$ 313,208	\$ 700,094	\$ 392,590

## Liabilities

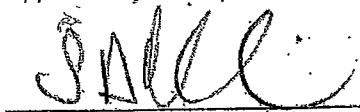
Current liabilities:				
Accounts payable and accrued liabilities (note 4)	\$ 37,320	\$ 8,200	\$ 45,520	\$ 39,907
Deferred revenue (note 5)	216,179	305,008	521,187	241,846
Current portion of obligation under capital lease	8,473	-	8,473	5,296
	261,972	313,208	575,180	287,049
Deferred capital contributions (note 6)	9,579	-	9,579	16,221
Obligation under capital lease (note 7)	5,760	-	5,760	14,233

## Fund Balances

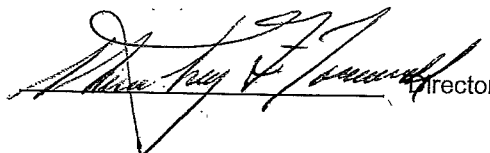
Unrestricted	109,575	-	109,575	75,087
Commitments (note 10)				
	\$ 386,886	\$ 313,208	\$ 700,094	\$ 392,590

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, 2016, with comparative information for 2015

	Operating Fund	Special Purpose Fund	Total 2016	Total 2015
				(Schedule 1)
Revenue:				
Grants	\$ 167,967	\$ 631,980	\$ 799,947	\$ 482,289
Community Gaming Grant	-	94,529	94,529	109,064
Other government grants (note 12)	2,631	22,282	24,913	24,482
Donations	307,233	51,023	358,256	353,024
Other income	21,341	454	21,795	51,684
	499,172	800,268	1,299,440	1,020,543
Expenses:				
Salaries and benefits	249,234	381,224	630,458	651,594
Development	185,399	-	185,399	279,602
Administration and office	34,690	133,535	168,225	55,249
Charitable activities carried out under agency agreements (note 8)	-	222,851	222,851	52,977
Rent and occupancy costs	4,457	22,849	27,306	26,205
Amortization (note 3)	11,693	-	11,693	7,544
Professional fees	10,334	-	10,334	8,730
Service charges and interest	8,686	-	8,686	7,771
	504,493	760,459	1,264,952	1,089,672
Excess (deficiency) of revenue over expenses	(5,321)	39,809	34,488	(69,129)
Interfund transfers:				
Administration fees (note 11)	39,809	(39,809)	-	-
Fund balances, beginning of year	75,087	-	75,087	144,216
Fund balances, end of year	\$ 109,575	\$ -	\$ 109,575	\$ 75,087

See accompanying notes to financial statements.

# SIERRA CLUB OF BRITISH COLUMBIA FOUNDATION

## Statement of Cash Flows

Year ended December 31, 2016, with comparative information for 2015

	2016	2015
Cash provided by (used in):		
Operations:		
Excess (deficiency) of revenue over expenses:		
Operating Fund	\$ (5,321)	\$ (146,586)
Special Purpose Fund	39,809	77,457
Items not involving cash:		
Amortization of capital assets	11,693	10,059
Amortization of deferred capital contributions	(6,642)	(5,062)
Decrease in grants receivable	-	19,100
Changes in non-cash working capital balances:		
Accounts receivable	26,964	35,339
Prepaid expenses	300	373
Accounts payable and accrued liabilities	5,613	912
Deferred revenue	279,341	(33,542)
	351,757	(41,950)
Investing activities:		
Purchase of capital assets	(1,193)	(24,123)
Purchase of Investments	(213,468)	-
	(214,661)	(24,123)
Financing activities:		
Reduction in obligation under capital lease	(5,296)	(4,870)
Deferred capital contributions received	-	21,283
	(5,296)	16,413
Increase (decrease) in cash and cash equivalents	131,800	(49,660)
Cash and cash equivalents, beginning of the year	276,939	326,599
Cash and cash equivalents, end of year	\$ 408,739	\$ 276,939

See accompanying notes to financial statements.

# SIERRA CLUB OF BRITISH COLUMBIA FOUNDATION

## Notes to Financial Statements

Year ended December 31, 2016

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The Sierra Club of British Columbia Foundation (the "Foundation") is incorporated under the British Columbia Societies 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, 2016

### 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, 2016

### 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. Investments:

The following investments are recorded at fair value:

	2016	2015
<b>Short term:</b>		
Canadian Western Bank guaranteed investment certificate annual interest at 1.55% due June 30, 2017	\$ 20,000	\$ -
Peoples Trust, guaranteed investment certificate annual interest at 1.55% due June 30, 2017	85,722	-
Accrued interest	912	-
	106,634	-
<b>Long term:</b>		
Equitable Bank guaranteed investment certificate, annual compound interest at 2% due June 21, 2018	90,722	-
Home Trust Company guaranteed investment certificate, annual compound interest at 2% due June 21, 2018	15,000	-
Accrued interest	1,112	-
	106,834	-
	\$ 213,468	\$ -

# SIERRA CLUB OF BRITISH COLUMBIA FOUNDATION

## Notes to Financial Statements

Year ended December 31, 2016

### 3. Capital assets:

December 31, 2016	Cost	Accumulated amortization	Net book value
Computer equipment	\$ 44,546	\$ 23,335	\$ 21,211
Computer software	55,766	45,696	10,070
	\$ 100,312	\$ 69,031	\$ 31,281

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

Amortization of capital assets reported on the statement of operations totaled \$11,693 (2015 - \$10,059). Of this amount, nil (2015 - \$2,515) was allocated to development expense and the remainder of \$11,693 (2015 - \$7,544) was reported as amortization.

During fiscal 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, 2016 is \$7,542 (2015 - \$4,799).

### 4. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$635 (2015 - \$585), which includes amounts payable for payroll related remittances.

# SIERRA CLUB OF BRITISH COLUMBIA FOUNDATION

## Notes to Financial Statements

Year ended December 31, 2016

### 5. 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.

	2016	2015
Deferred revenue, beginning of year	\$ 238,383	\$ 272,585
Amounts recognized as revenue in the year	(813,915)	(695,011)
Amounts received during the year	880,540	660,809
Deferred revenue, end of year	\$ 305,008	\$ 238,383

### 6. Deferred capital contributions:

During 2015 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.

	2016	2015
Balance, beginning of year	\$ 16,221	\$ -
Current year contributions received	-	21,283
Amounts amortized to revenue	(6,642)	(5,062)
Balance, end of year	\$ 9,579	\$ 16,221

# SIERRA CLUB OF BRITISH COLUMBIA FOUNDATION

Notes to Financial Statements

Year ended December 31, 2016

## 7. 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:

2017	\$	6,741
2018		6,741
2019		2,247
Total minimum lease payments		15,729
Less interest		1,496
		14,233
Current portion of obligations under capital leases		8,473
		\$ 5,760

Interest of \$1,445 (2015 - \$1,872) relating to the obligation under capital lease is included in interest expense on the statement of operations and changes in fund balances.

## 8. 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 9, these agency agreements were with Sierra Club BC in 2010. Beginning in 2011, the agency agreements were with third party organizations.

## 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 held US dollar cash and cash equivalents valued at \$40,336 CAD as at December 31, 2016 (2015 - \$29,499).

# SIERRA CLUB OF BRITISH COLUMBIA FOUNDATION

Notes to Financial Statements

Year ended December 31, 2016

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## 9. Financial risks and concentration of credit risk:

### (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, 2018 and various office equipment until December 2020. Future minimum lease payments under the leases are as follows:

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2017	\$ 37,230
2018	17,018
2019	2,580
2020	2,580
<hr/>	
Total	\$ 59,408

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## 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 \$39,809 (2015 - \$77,457) 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.

# SIERRA CLUB OF BRITISH COLUMBIA FOUNDATION

Notes to Financial Statements

Year ended December 31, 2016

## 12. Government grants:

	2016	2015
Federal	\$ 24,913	\$ 24,482
Provincial	-	-
Municipal	-	-
Total government grants	\$ 24,913	\$ 24,482

## 13. Remuneration:

For the fiscal year ending December 31, 2016, the Foundation paid remuneration of \$75,000 or greater to the following employees and contractors for services:

Employee position/Contractor service	Amount
Executive Director	\$ 80,000

# SIERRA CLUB OF BRITISH COLUMBIA FOUNDATION

Statement of Operations and Changes in Fund Balances

Schedule 1

Year ended December 31, 2015

	Operating Fund	Special Purpose Fund	Total
Revenue:			
Grants	\$ 11,353	\$ 470,936	\$ 482,289
Community Gaming Grant	-	109,064	109,064
Other government grants (note 12)	-	24,482	24,482
Donations	294,135	58,889	353,024
Other income	6,048	45,636	51,684
	311,536	709,007	1,020,543
Expenses:			
Salaries and benefits	143,787	507,807	651,594
Development	279,602	-	279,602
Administration and office	10,442	44,807	55,249
Charitable activities carried out under agency agreements (note 8)	-	52,977	52,977
Rent and occupancy costs	9,996	16,209	26,205
Amortization (note 3)	7,544	-	7,544
Professional fees	4,879	3,851	8,730
Service charges and interest	1,872	5,899	7,771
	458,122	631,550	1,089,672
Excess (deficiency) of revenue over expenses	(146,586)	77,457	(69,129)
Interfund transfers:			
Administration fees (note 11)	77,457	(77,457)	-
Fund balances, beginning of year	144,216	-	144,216
Fund balances, end of year	\$ 75,087	\$ -	\$ 75,087