

Financial Statements of

**SIERRA CLUB OF BRITISH COLUMBIA
FOUNDATION**

Year ended December 31, 2018

SIERRA CLUB OF BRITISH COLUMBIA FOUNDATION

Financial Statements

Year ended December 31, 2018

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INDEPENDENT AUDITORS' REPORT

To the Directors of Sierra Club of British Columbia Foundation

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of Sierra Club of British Columbia Foundation ("the "Entity"), which comprise:

- the statement of financial position as at December 31, 2018
- the statement of operations and changes in fund balances for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements, present fairly, in all material respects, the financial position of the Entity as at December 31, 2018, 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.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "**Auditors' Responsibilities for the Audit of the Financial Statements**" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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



Responsibilities of Management and Those Charged with Governance 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.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report and includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Entity's internal control.



- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosure made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a matter that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings including any significant deficiencies in internal control that we identify during our audit.

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

Victoria, Canada
March 28, 2019

SIERRA CLUB OF BRITISH COLUMBIA FOUNDATION

Statement of Financial Position

December 31, 2018, with comparative information for 2017

	Operating Fund	Special Purpose Fund	Total 2018	Total 2017
Assets				
Current assets:				
Cash and cash equivalents	\$ 370,825	\$ 382,560	\$ 753,385	\$ 659,581
Accounts receivable	14,604	1,000	15,604	12,082
Prepaid expenses	6,944	-	6,944	1,658
Short term investments (note 2)	-	-	-	108,960
	392,373	383,560	775,933	782,281
Capital assets (note 3)	16,234	-	16,234	21,284
	\$ 408,607	\$ 383,560	\$ 792,167	\$ 803,565

Liabilities

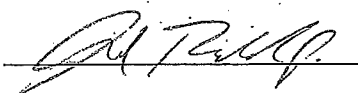
Current liabilities:				
Accounts payable and accrued liabilities	\$ 54,230	\$ 4,775	\$ 59,005	\$ 69,931
Deferred revenue (note 4)	33,242	378,785	412,027	560,605
Current portion of obligation under capital lease (note 5)	2,208	-	2,208	6,265
	89,680	383,560	473,240	636,801
Obligation under capital lease (note 5)	-	-	-	2,208

Fund Balances

Unrestricted	318,927	-	318,927	164,556
Commitments (note 8)				
	\$ 408,607	\$ 383,560	\$ 792,167	\$ 803,565

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, 2018, with comparative information for 2017

	Operating Fund	Special Purpose Fund	Total 2018	Total 2017
				(Schedule 1)
Revenue:				
Grants	\$ 308,667	\$ 455,649	\$ 764,316	\$ 585,351
Community Gaming Grant	-	110,079	110,079	106,611
Federal government grants	3,374	40,000	43,374	22,891
Donations	526,787	92,272	619,059	420,281
Other income	8,590	-	8,590	18,177
	847,418	698,000	1,545,418	1,153,311
Expenses:				
Salaries and benefits	236,310	354,992	591,302	580,253
Development	240,835	-	240,835	177,076
Administration and office	161,737	92,934	254,671	226,419
Charitable activities carried out under agency agreements (note 6)	-	253,943	253,943	51,035
Rent and occupancy costs	26,860	-	26,860	27,426
Amortization	6,257	-	6,257	12,100
Professional fees	14,258	-	14,258	15,173
Service charges and interest	2,840	81	2,921	8,848
	689,097	701,950	1,391,047	1,098,330
Excess (deficiency) of revenue over expenses	158,321	(3,950)	154,371	54,981
Interfund transfers (note 9):				
Administration fees	43,896	(43,896)	-	-
Program costs	(47,846)	47,846	-	-
				-
Fund balances, beginning of year	164,556	-	164,556	109,575
Fund balances, end of year	\$ 318,927	\$ -	\$ 318,927	\$ 164,556

See accompanying notes to financial statements.

SIERRA CLUB OF BRITISH COLUMBIA FOUNDATION

Statement of Cash Flows

Year ended December 31, 2018, with comparative information for 2017

	2018	2017
Cash provided by (used in):		
Operations:		
Excess (deficiency) of revenue over expenses:		
Operating Fund	\$ 158,321	\$ 43,014
Special Purpose Fund	(3,950)	11,967
Items not involving cash:		
Amortization of capital assets	6,257	12,100
Amortization of deferred capital contributions	-	(6,519)
Changes in non-cash working capital balances:		
Accounts receivable	(3,522)	14,676
Grants receivable	-	19,100
Prepaid expenses	(5,286)	(910)
Accounts payable and accrued liabilities	(10,926)	24,411
Deferred revenue	(148,578)	39,418
	(7,684)	157,257
Investing activities:		
Purchase of capital assets	(1,207)	(2,103)
Redemption (purchase) of investments	108,960	104,508
	107,753	102,405
Financing activities:		
Principal payments under capital lease obligations	(6,265)	(5,760)
Deferred capital contributions returned to funder	-	(3,060)
	(6,265)	(8,820)
Increase in cash and cash equivalents	93,804	250,842
Cash and cash equivalents, beginning of the year	659,581	408,739
Cash and cash equivalents, end of year	\$ 753,385	\$ 659,581

See accompanying notes to financial statements.

SIERRA CLUB OF BRITISH COLUMBIA FOUNDATION

Notes to Financial Statements

Year ended December 31, 2018

The Sierra Club of British Columbia Foundation (the "Foundation") is incorporated under the Society Act of British Columbia and is a registered charity under the Income Tax Act. On November 28, 2016, the new Societies Act (British Columbia) became effective. The Society successfully transitioned to the new act on September 6, 2018. 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, 2018

1. Significant accounting policies (continued):

(d) Short term investments:

Short-term investments include cash, guaranteed investment certificates and treasury bills with terms to maturity less than one year at December 31.

(e) 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.

(f) 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.

(g) 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, 2018

1. Significant accounting policies (continued):

(g) 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:

	2018	2017
Short term:		
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	-	3,238
	\$ -	\$ 108,960

3. Capital assets:

December 31, 2018	Cost	Accumulated amortization	Net book value
Computer equipment	\$ 47,857	\$ 31,628	\$ 16,229
Computer software	55,765	55,760	5
	\$ 103,622	\$ 87,388	\$ 16,234

SIERRA CLUB OF BRITISH COLUMBIA FOUNDATION

Notes to Financial Statements

Year ended December 31, 2018

3. Capital assets (continued):

December 31, 2017	Cost	Accumulated amortization	Net book value
Computer equipment	\$ 46,650	\$ 27,386	\$ 19,264
Computer software	55,765	53,745	2,020
	\$ 102,415	\$ 81,131	\$ 21,284

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, 2018 is \$13,027 (2017 - \$10,284).

4. Deferred revenue:

Deferred revenue 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.

Operating Fund	2018	2017
Deferred revenue, beginning of year	\$ 144,778	\$ 216,179
Amounts recognized as revenue in the year	(126,094)	(75,392)
Amounts received during the year	14,558	3,991
Deferred revenue, end of year	\$ 33,242	\$ 144,778

Special Purpose Fund	2018	2017
Deferred revenue, beginning of year	\$ 415,827	\$ 305,008
Amounts recognized as revenue in the year	(883,948)	(487,459)
Amounts received during the year	846,906	598,278
Deferred revenue, end of year	\$ 378,785	\$ 415,827

Of the deferred revenue amounts received within the Special Purpose Fund, \$185,948 (2017 - \$229,142) relate to administration fees on grants recognized in the Operating Fund as described in note 9.

SIERRA CLUB OF BRITISH COLUMBIA FOUNDATION

Notes to Financial Statements

Year ended December 31, 2018

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:

2019	\$	2,247
Total minimum lease payments		2,247
Less interest		39
		2,208
Current portion of obligations under capital leases		2,208
	\$	-

Interest of \$39 (2017 - \$476) relating to the obligation under capital lease is included in interest expense on the statement of operations and changes in fund balances.

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. Administration fees are charged on cash received that is to be paid out in accordance with agency agreements. See note 9.

7. 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 \$36 CAD as at December 31, 2018 (2017 - \$41 CAD).

(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.

SIERRA CLUB OF BRITISH COLUMBIA FOUNDATION

Notes to Financial Statements

Year ended December 31, 2018

8. Commitments:

The Foundation is committed under operating lease agreements for office premises until May 31, 2020 and various office equipment until January 2021. Future minimum lease payments under the leases are as follows:

2019	\$ 40,111
2020	19,283
2021	180
Total	\$ 59,574

9. Interfund transfers:

Effective January 1, 2017, the Foundation amended its internal policy for the treatment of administration fees and interfund transfers as follows:

- The portion of externally restricted grants restricted for use towards program delivery is recognized as revenue within the Special Purpose Fund, and the portion agreed by the funder to be used for general operations and administration costs is recognized as revenue within the Operating Fund. Administration fees related to Special Purpose Fund grants recognized in the Operating Fund during the year were \$185,948 (2017 - \$229,142).
- Administration fees of 30% (2017 - 30%) are charged on externally restricted donations received within the Special Purpose Fund. During the year, \$26,247 in administration fees related to Special Purpose Fund donations were transferred to the Operating Fund (2017 - \$26,579). An offsetting interfund transfer is made from the Operating Fund back to the Special Purpose Fund as needed to recover the full cost of program delivery. During the year the Operating Fund transferred \$47,846 to the Special Purpose Fund to supplement the full cost of certain program delivery (2017 - \$18,248).
- Administration fees of 7% (2017 - 7%) were charged on cash received that is to be paid to external agents under contract of service. During the year, \$17,649 in administration fees were transferred from the Special Purpose Fund to the Operating Fund (2017 - \$3,636).
- No allocation of core operating costs (accounting, human resources, information technology services, communications and shared office expenses) is made to the Special Purpose Fund expenses.

SIERRA CLUB OF BRITISH COLUMBIA FOUNDATION

Notes to Financial Statements

Year ended December 31, 2018

10. Director, employee and contractor remuneration:

The BC Societies Act came into effect on November 28, 2016. The Act has a requirement for the disclosure in the financial statements of the remuneration of directors, employees and contractors for financial statements prepared after November 28, 2016. For employee and contractor remuneration the requirement is to disclose amounts paid to individuals whose remuneration was greater than \$75,000.

For the fiscal years ending December 31, 2018 and 2017, the Foundation did not pay remuneration of \$75,000 or greater to any employees or contractors for services.

There were no remuneration payments made to directors in 2018 or 2017.

SIERRA CLUB OF BRITISH COLUMBIA FOUNDATION

Statement of Operations and Changes in Fund Balances

Schedule 1

Year ended December 31, 2017

	Operating Fund	Special Purpose Fund	Total
Revenue:			
Grants	\$ 310,571	\$ 274,780	\$ 585,351
Community Gaming Grant	-	106,611	106,611
Federal government grants	3,279	19,612	22,891
Donations	333,902	86,379	420,281
Other income	5,280	12,897	18,177
	653,032	500,279	1,153,311
Expenses:			
Salaries and benefits	248,630	331,623	580,253
Development	177,076	-	177,076
Administration and office	120,765	105,654	226,419
Charitable activities carried out under agency agreements (note 6)	-	51,035	51,035
Rent and occupancy costs	27,426	-	27,426
Amortization	12,100	-	12,100
Professional fees	15,173	-	15,173
Service charges and interest	8,848	-	8,848
	610,018	488,312	1,098,330
Excess of revenue over expenses	43,014	11,967	54,981
Interfund transfers (note 10):			
Administration fees	30,215	(30,215)	-
Program costs	(18,248)	18,248	-
	11,967	(11,967)	-
Fund balances, beginning of year	109,575	-	109,575
Fund balances, end of year	\$ 164,556	\$ -	\$ 164,556